FINANCIAL TIMES

US society

An outbreak of globalphobia

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Climate change

How I learned to stop worrying...

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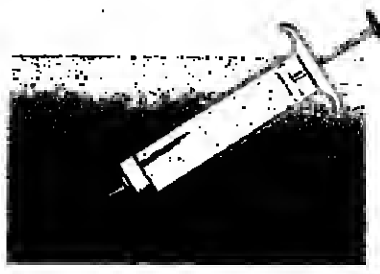

Drug addiction

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World Business Newspaper http://www.FT.com TUESDAY DECEMBER 2 1997

WORLD NEWS

Nazis 'looted $146m in gold from victims' during war

The Nazis took $146m in gold from Holocaust victims and others in Germany and occupied territories, according to a Swiss study. A 40-nation conference on Nazi gold opens in London today. Page 16; Background, Page 3; Editorial Comment, Page 15

Russia raises rates
Russia's central bank lifted interest rates again to ward off pressure on the rouble and help stabilise the debt market. Lombard rates rose to 36 per cent but the refinancing rate remained unchanged at 28 per cent. Page 2; Editorial Comment, Page 15

UK wants 'euro club' place
Britain warned that a Franco-German plan to create a "euro-club" for countries adopting the single currency would split the EU and insisted the UK be allowed to take part. Page 2

Czechs in crisis
The Czech Republic's worst political crisis since the collapse of communism caused the stock market to plunge to its lowest level in two years and provoked central bank intervention to defend the koruna. Page 2; Patching the Velvet Revolution, Page 14; Currencies, Page 27

Prodi's fears for system
Italian prime minister Romano Prodi is concerned that the centre-right opposition coalition was so badly defeated in weekend mayoral elections that the prospect for developing a two-party system is in jeopardy. Page 2

Challenge to cotton probe
A European Commission move to open a third investigation into the dumping of unbleached cotton from Asia faces a challenge in the European Court. Page 5

Grappelli dies at 89
Stephane Grappelli, the jazz violinist, whose elegant style captivated audiences for more than a half a century, has died in Paris aged 89. Obituary, Page 13

EU animal trap deal
The European Union has called off a ban on fur imports from the US after accepting a pledge from Washington to phase out steel-jawed animal traps within six years. Page 5

US manufacturing slowdown
The pace of manufacturing activity growth in the US slowed last month though the economy maintained its upward momentum, according to purchasing managers. Page 7

Shift over climate talks
An easing of the US negotiating position on the first day of the UN climate change talks in Kyoto drew a mixed response from other parties. Page 4; Licence to pollute, Page 14

Steel importers worried
The turmoil in Asia will hit the US steel industry hard next year and could touch off a new round in the long-simmering trade war, US importers warned. Page 7

After the cold war
The US armed forces must work faster to abandon their cold war posture and prepare for new, non-conventional threats, defence experts say. Page 7

Jordan overtakes Tyson
Basketball player Michael Jordan has ousted Mike Tyson to regain his position as the world's highest-paid sports star after earning $78.3m this year. Page 7

Farmers dump beef into sea
UK opposition parties pressed the government for a statement after Welsh farmers besieged the port of Holyhead and threw 40 tonnes of beefburgers into the sea in protest at cheap imports. Page 10

BUSINESS NEWS

China's foreign banks to fight Beijing's plans for more taxes

Foreign banks in China have launched a campaign against Beijing's decision to impose withholding tax on interbranch and interbank funding, which they say could destroy their lending businesses there. The move would make most lending in China unprofitable for them whilst leaving Chinese banks untouched. Page 6

KPMG and Ernst & Young, two of the four international accountancy firms seeking global mergers, are ready to give up self-regulation of the profession to win European Commission approval for their plans. Page 16

J.P. Morgan, US investment bank, has suspended two London equity traders while it investigates charges they tried to manipulate the FTSE 100 index in late trading on Friday. Page 8

National Westminster Bank, UK retail bank, is expected to announce the sale of the equities businesses of its investment banking arm NatWest Markets for £150m-£200m ($250m-$334m). Page 17

Kirch, German TV group, and German media group Bertelsmann have been told by the European Commission to stop marketing a digital decoder box until EU investigations into German digital TV end. Page 3

Fortis, Belgian-Dutch financial group, raised nine-month net profits 26 per cent to Ecu700m ($623m) after a strong contribution from MeesPierson, Amsterdam investment bank acquired from ABN-Amro. Page 20

Warner-Lambert, US drugs company, and Sankyo of Japan saw their shares fall sharply when the UK's Glaxo Wellcome withdrew a new diabetes drug. Page 17

Aceralia, Spain's integrated steel group which completes its privatisation next week, is in strong domestic demand – fuelling Madrid's plans for further disposals next year. Page 20

ICO Global Communications, European satellite group, is strongly resisting a $1bn charge proposed by US authorities to compensate users of spectrum frequencies allocated to it who must now relocate. Page 5

BOC, industrial gases company, scotched speculation it plans a large European acquisition with proceeds from the sale of medical division Ohmeda, expected to be £1bn ($1.67bn). Page 24

National City and First of America Bank, two of the US Midwest's biggest banks, have agreed a merger in which NC will take over First in a $6.6bn all-stock deal. Page 22

Trustor, Swedish investment company at the centre of a SKr620m ($80.5m) fraud inquiry, plans to launch an action for damages against former chairman Lord Moyne. Page 21

Electronic Data Systems, US company which is the world's largest information services provider, is poised to hire 600 employees of a Yamaichi affiliate. Page 17

Bank Hapoalim, Israel's biggest bank, said net profits rose 14 per cent in the first nine months on better returns from financing and lower debt provisions. Page 20

Opec's decision to increase production quotas by 10 per cent, from 25.03m barrels a day to 27.5m, led to falls in international oil prices. Page 17; Commodities, Page 28

Brown says Emu 'club' plan would split EU

Three countries back UK in opposing exclusive forum

By Lionel Barber in Brussels

Denmark, Sweden and Greece yesterday backed British attempts to block formation of an exclusive "euro club" for countries forming the single currency.

Britain warned that a Franco-German plan for such a club would split the European Union, and vowed to stand firm for UK participation.

At a tense meeting of EU finance ministers in Brussels, Gordon Brown, UK chancellor of the exchequer, refused to support a compromise allowing the European Commission to act as a go-between for the "ins" with those outside the single currency, the euro. He also raised doubts about the legality of the euro club.

Mr Brown won support from Denmark and Sweden, which for political reasons have declared they will not be founder members of Emu on January 1 1999, and Greece which is not ready on economic grounds. But France and Germany took a hard line, making clear that those countries ready to take the political and economic risks of launching Emu should draw the benefits. Nine other likely members, including Italy, agreed.

Germany's finance minister, Theo Waigel, said: "You cannot be in and out. Nobody can stop the Emu countries from meeting informally." Austria's Rudolf Edlinger said: "Nobody can prevent us from holding a meeting whenever we want."

The stand-off dashed the UK Labour government's hopes that last month's commitment in principle to join European monetary union, most likely around 2002, would be enough to secure access to the euro club. It raised the prospect of the party's first political defeat in Europe. One French official commented: "The British are paying the price for years of delay on monetary union."

Mr Brown's aides said last night the chancellor would block an agreement, pushing the euro-club issue to the EU summit in Luxembourg on December 12-13, where Tony Blair, the prime minister, would press his case.

The non-Emu countries fear the euro-club will be exclusive, undermining regular meetings of finance ministers the key decision-making forum on macro-economic policy.

The Luxembourg presidency and the European Commission tried to bridge the split between "ins" and "outs", but their efforts were complicated by differences between France and Germany.

Dominique Strauss-Kahn, French finance minister, played up the importance of the euro-club, which the left-wing government in Paris views as a political counterweight to the future European Central Bank in Frankfurt. To that end, Mr Strauss-Kahn pressed for a political declaration at the Luxembourg summit of all 15 member states.

Mr Waigel said the euro-club was a necessary innovation to co-ordinate economic policy among the "ins", to enforce fiscal discipline, and to discuss on occasions euro exchange rate policy. But be minimised the political significance of the new forum.

Mr Brown said the Franco-German proposal could be in breach of the 1992 Maastricht treaty stipulation that countries should treat currency issues as a matter of common concern.

Despite the disagreement over Emu policy, finance ministers agreed in principle on a voluntary code to limit unfair tax competition. It would cover corporation tax rates, withholding tax and measures to allow cross-border companies to repatriate royalty and interest payments without double taxation.

Preparing for Emu, Page 2

IMF denies it has agreed Korean rescue deal

S Korean finance minister Lim Chang-yuel after meeting tbe IMF in Seoul yesterday. Mr Lim had earlier claimed that terms bad been agreed for a rescue package, bnt the IMF's Michel Camdessus said: "Until the last 'i' is dotted, the agreement is not there." Report, Page 16; Tough pragmatist, Page 6

Low consumer confidence hits car sales in Japan

By Michiyo Nakamoto and Paul Abrahams in Tokyo

Japanese new car registrations tumbled 23.5 per cent in November, the worst monthly fall since the 1973 oil shock.

The disappointing figure reflects sinking consumer confidence in Japan, and raises the likelihood that Japanese car makers will intensify their export efforts in western Europe and North America.

Japanese car exports have risen sharply over the past few months, driven by a weak yen, which has depreciated by 9.4 per cent against the dollar since May. They have contributed significantly to a widening of the politically sensitive trade surplus with the US.

Publication of the car sales figures coincided with a report by the Organisation for Economic Co-operation and Development which forecast total domestic demand in Japan would contract 0.3 per cent this year, and gross domestic product would rise only on the back of booming exports.

The Paris-based OECD said in its annual report on Japan that GDP would grow 0.8 per cent this year and 2.1 per cent in 1998. Exports of goods and services would increase 11.1 per cent this year. But the OECD said yesterday the country's recovery could be even weaker than the published forecast as a result of the worsening economic problems in east Asia.

The OECD warned in its report that although fiscal rectitude was welcome in the long run, Tokyo should avoid a rapid withdrawal of state support to the economy in the short term. The US has urged Japan to boost economic growth by stimulating domestic demand.

Japan's economic weakness yesterday pushed the value of the yen against the dollar to a five-year low of Y128.32 at one point in Tokyo. Currency traders were nervous ahead of third-quarter gross domestic product data due to be published tomorrow. Analysts estimate annualised growth rates at between between 0.9 per cent and 3.9 per cent. GDP fell an annualised 11.2 per cent in the quarter to June.

The car sales figures were particularly disappointing because the industry had hoped the launch of new models at the Tokyo motor show in October would boost sales.

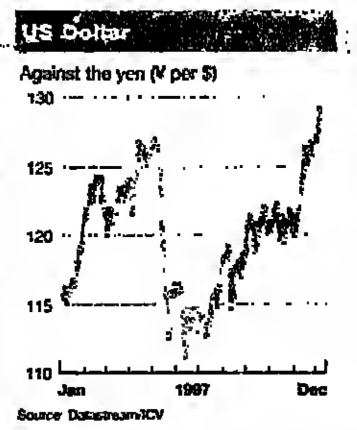
The fall in November was the eighth successive monthly fall on a year-on-year basis. Vehicle registrations plunged 23.5 per cent year-on-year to 388,247 units as all five big manufacturers registered tumbling sales.

The biggest casualty was Toyota, Japan's largest carmaker, which saw a year-on-year fall of nearly 27 per cent. Mitsubishi Motors' sales fell 27 per cent while Mazda sales declined 29 per cent over the same period.

"The uncertainty created by the financial sector turmoil is having an effect on consumption. Next month could be worse," warned Kaoru Kurata, industry analyst at Salomon Brothers in Tokyo.

Bank stocks recovered sharply yesterday on undertakings by Ryutaro Hashimoto, prime minister, that public money would be used to protect bank depositors. The Nikkei 225 average rose 2.23 per cent to close at 17,007.

US Dollar



The wrong lesson, Page 6
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EDS to hire staff, Page 17

Five shipping lines plan super-alliance

By Charles Batchelor in London and John Ridding in Hong Kong

Five of the world's largest container shipping lines plan a super-alliance on tha Europe-Asia and Pacific trade routes.

Hong Kong's Orient Overseas Container Line (OOCL) and Malaysia International Shipping will join the existing three partners in the so-called Grand Alliance – Hapag-Lloyd of Germany, NYK Line of Japan and the Anglo-Dutch P&O Nedlloyd group.

The deal, announced yesterday, makes the Grand Alliance the biggest in the world and reorders the big three partnerships which dominate the global shipping industry. Membership of the rival alliances had been blurred by recent mergers such as those between P&O and Nedlloyd and between American President and Singapore's Neptune Orient.

Rivals now to the enlarged Grand Alliance are the Global Alliance of Neptune Orient, American President and Mitsui OSK of Japan, and the partnership of Danish Maersk and Sea-Land of the US.

"The mergers provided the stimulus [for the new alliance]," said Harry Wilkinson, chief financial officer of OOCL.

Continued on Page 16

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7951.84	(+128.51)
NASDAQ Composite	1617.42	(+16.67)
Europe and Far East		
CAC40	2918.48	(+58.28)
DAX	4059.65	(+118.91)
FTSE 100	4921.5	(+91.0)
Nikkei	17,007.59	(+371.39)
US LUNCHTIME RATES		
Federal Funds	5½%	
3-mth Treas Bills: Yld	5.204%	
Long Bond	101½	
Yield	6.022%	
OTHER RATES		
UK: 3-mo Interbank	7⅞%	(7⅞%)
UK: 10 yr Gilt	105.4375	(105.5)
France: 10 yr OAT	100.40	(100.33)
Germany: 10 yr Bund	103.88	(103.80)
Japan: 10 yr JGB	108.67	(108.78)
NORTH SEA OIL (Argus)		
Brent Dated	$18.025	(18.93)

GOLD		
New York Comex (Dec)	$294.3	(296.9)
London	$293.75	(296.85)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6823	
DM	1.77865	
FFr	5.9515	
SFr	1.4331	
Y	128.055	
London:		
$	1.6845	(1.6848)
DM	1.7774	(1.7639)
FFr	5.9479	(5.9035)
SFr	1.4327	(1.4257)
Y	128.27	(127.625)
[illegible]		Y 127.75
Tokyo close		
Sterling		
DM	2.9930	(2.9717)

London · Leeds · Paris · Frankfurt · Stockholm · Madrid · New York
Los Angeles · Tokyo · Hong Kong

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FINANCE

EMERGING MARKETS

Leaders of Eta political wing jailed

By David White in Madrid

Spain hraced itself for a violent riposte from Eta, the Basque terrorist organisation, after the supreme court yesterday jailed 23 leaders of Eta's political wing.

The 19 men and four women, who made up the entire leadership of the radical Basque party coalition Herri Batasuna (Popular Unity), were all sentenced to seven years' imprisonment for collaborating with Eta.

It was the first time that a Spanish legal verdict had established a relationship between the two bodies.

Spain's two main political parties, the ruling conservative Popular party and the opposition Socialists, welcomed the verdict as a demonstration that justice was working properly. Bot the Communist-led United Left described the sentenca as "hard", and warned it could be a step back in efforts to end the Basque conflict.

Eusko Alkartasuna, a splinter of tbe Basque Nationalist party, which heads the Basque region's government, claimed the sentence was politically driven.

The Herri Batasuna politicians went on trial in October over a party political video and statements made in the wake of two terrorist murders early last year in the run-up to Spain's last general election. The video, aimed for use in the party's electoral TV slot, featured masked and armed members of Eta. A judge ordered copies of the video to be seized and banned its hroadcast.

The case went to the supreme court because five of the accused held seats in regional parliaments in the Basque coontry or Navarre. During the trial, which was aurrounded hy tight security, lawyers for Herri Batasuna argued that it should be postponed because of the hostile climate of opinion which they said placed "intolerable pressure" on the court. Prosecutors were seeking eight-year terms.

The convicted leaders, who include a former priest, an industrialist and a doctor, were due to start their sentences within 48 hours. They were also fined Pta500,000 (£2,000) each and harred from public office and from standing for election while in prison. They were acquitted on other charges of belonging to an armed hand and advocating terrorism.

They were elected to the party's national council in late 1995 after a toogh internal debate in which a moderate faction was heaten hy bardliners. The party is now set to elect a fresh council, which is thought likely to be more political in character and less closely tied to the outlawed Eta organisation. The party said recently that it would call a general strike in the Basque region if its leaders were jailed.

It is feared the outcome of the trial could jeopardise prospects for a ceasefire, after Eta's announcement almost two weeks ago that it would suspend its campaign of action against the government's policy of dispersing Eta prisoners in jails around the country. The statement, which appeared to amount to a partial truce, was greeted with cantion hy political parties.

Two Herri Batasuna party members outside the supreme court in Madrid in September. All 23 leaders of the Basque coalition were jailed yesterday for seven years AP

Gibraltar row 'threat to Nato plans'

By David White in Madrid

Failure by Britain and Spain to resolve their differences over military co-operation in Gibraltar risks holding up the introduction of new Nato command arrangements and the enlargement of the alliance, Abel Matutes, Spanish foreign minister, warned yesterday.

He said the two countries had until December 15 – when Nato foreign ministers meet in Brussels – to try to reach a settlement. Spain, so far not part of the alliance's military organisation, is set to join a revamped command structure. Britain has demanded that Madrid should first end restrictions on air and naval movements around Gibraltar.

But Spain has said it will not do so without something in return in its long-running dispute over the British colony.

The heat has increased in recent days after a Spanish demand for joint military use of Gibraltar's airport and joint control of air force flights. It is thought the UK might be open to some form of co-operation in air traffic control, stopping short of Spanish proposals which include posting Spanish personnel in Gibraltar.

"The British position has to change," Mr Matutes said. He said Spain was maintaining restrictions because of its legal claim to the land on which the airport was built.

Madrid would rather wait than unilaterally waive restrictions, he said, making clear this would imply delaying the whole Nato reform plan.

Britain has yet to approve plans for a new Nato headquarters in Spain and the scrapping of the small Nato command in Gibraltar. In an apparent attempt to preempt a UK move, Mr Matutes said maintaining the Gibraltar command would not necessarily make it impossible for Spain to join the integrated military structure.

■ Nato military chiefs yesterday resolved a 40-year-old dispute between Greece and Turkey which had prevented the alliance from having an effective command structure in the eastern Mediterranean, writes Alexander Nicoll in Brussels.

The breakthrough – which must still be endorsed by Athens and Ankara – leaves the dispute between Britain and Spain over Gibraltar as the only barrier to Nato's adoption of a new command structure.

The outstanding issues had been control of air space in the Aegean Sea region and cancellation of documents dating back to the 1950s, Nato officials said.

Swiss fear the euro's side effects

Europe's single currency could lead to an overvalued franc, writes Frances Williams

Preparing for Emu

Switzerland will be profoundly affected by Europe's drive for economic and monetary union, even though it cannot join Emu since it is outside the EU. Financiers fear the single currency could push up the Swiss franc, affect currency trading and may eventually lead the country to establish some kind of link to the euro. Many in Switzerland's financial community are deeply sceptical of the whole euro project, which they see as imposing a dangerous straitjacket on monetary and fiscal policy within the Emu area. Hans Meyer, chairman of the Swiss National Bank, the independent central bank, doubts that the common currency could survive in the event of social unrest.

But dissolution of Emu would be far from desirable for Switzerland. In 1995 the Swiss received a discomforting foretaste of what European currency turmoil could mean for its economy, when worries about a weak euro sent investors, especially from Germany, piling into Swiss franc investments.

The franc soared to levels even Switzerland's most efficient companies could not cope with. The Swiss economy, struggling to emerge from recession, was dealt a blow from which it is only just recovering.

Now, with a less grossly overvalued exchange rate, activity is picking up. After seven years of stagnation the last thing Switzerland needs is another big franc appreciation fuelled by a cash exodus from the euro.

Even if the euro is strong, the SNB believes the franc will rise as investors, and perhaps central banks, seek to diversify their currency holdings. If the euro is weak, as many fear, especially if Italy is in the first wave in 1999, the upward pressure could become unmanageable. Already SNB officials and government ministers have begun to talk about the possibility of hitching the franc to the euro if capital inflows get out of hand. However, they also worry that this would mean letting go the monetary reins, with the risk of an upsurge in inflation from runaway money supply growth.

Mr Meyer does not exclude a temporary peg to the euro as a last resort, if other means of restraining unwarranted currency appreciation such as interest rate cuts did not work. But he rules out a permanent fixed link which would end what is left of Switzerland's autonomy in monetary policy.

Switzerland's high degree of economic integration with the EU – 61 per cent of its merchandise exports go to the Union which supplies 79 per cent of its imports – is another reason why the country has a big stake in Emu's success. "Strong growth in Europe is essential for healthy economic development in Switzerland," Mr Meyer says.

Whatever the economic consequences, preparing for Emu has become a practical necessity for Swiss business and the financial sector in particular. At the most basic level, euros are likely to start circulating in border areas where Swiss shops routinely accept their neighbours' currencies.

There is also a general recognition that the euro will sharpen competition for Swiss companies both at home and abroad, by making markets more transparent and lowering currency conversion costs in Europe.

To stay in the global running, Swiss banks are aiming to give as good a service in euros as their counterparts in Emu member countries, from customer accounts to stockmarket transactions.

"Switzerland must be euro-compatible in the true sense of the term: our clients must be able to choose between the franc and the euro," says Niklaus Blattner, secretary-general elect of the Swiss Bankers' Association.

The SBA plans to set up a Swiss Euro Clearing Bank in Frankfurt, home of the European Central Bank. The SECB is designed to link directly with Target, the post-1999 euro payment system, though the terms on which Swiss banks and other outsiders will deal with Target have yet to be decided by Emu members.

Meanwhile, the banks are preparing for the big market restructuring that will follow introduction of the euro. The hope is that the inevitable loss of income from trading European currencies will be compensated by higher revenues from other foreign exchange transactions and increased activity in European money and capital markets which are expected to become larger, deeper and more transparent.

The leading Swiss banks, already well ensconced in Europe, consider themselves well placed to benefit from these developments. However, they will face more intense competition from European rivals, while many big companies and investors may simply decide to bypass the banks as intermediaries altogether.

Reduced demand for currency hedging is one reason why Soffex, Switzerland's futures and options exchange, has opted to link with its French and German counterparts to create a unified derivatives market. The main Swiss stock exchange is also preparing for the shares of some large Swiss-based companies to be priced in euros.

> Many in the Swiss financial community are deeply sceptical of the whole euro project

Russia lifts rates to take heat off rouble

By John Thornhill and Chrystia Freeland in Moscow

Russia's central bank lifted interest rates again yesterday to ward off mounting pressure on the rooble and help stahilise the government debt market.

The central bank lifted all its Lombard rates to 36 per cent yesterday but left its refinancing rate unchanged at 28 per cent. Yields on short-term government debt (GKOs) had shot up by more than five percentage points to above 35 per cent before the bank's announcement.

Irina Yasina, the central bank's spokeswoman, said yesterday's measures would belp calm the financial markets. "We hope that banks will end specnlative operations on the foreign exchange markets and will stop using central bank credits lent at the Lombard rate for speculative purposes," Ms Yasina said. "We hope this will stabilise the GKO market."

Bnt Anders Aslund, an expert on the Russian economy from the Carnegie Endowment for International Peace, said: "The best thing would be for the interest rate to go up decisively once, stay there, and then start falling. Increasing it gradually only creates more expectations of further increases."

The turbulence in the world's financial markets has pnt considerable pressure on Russian Treasury bills, as foreign investors, who hold about one third of the market, start repatriating their money. The increasing outflow of capital has also begun to undermine the rouble.

A mission from the International Monetary Fund will open discussions in Moscow today about whether to accelerate the disbursement of a $700m tranche of its $10bn loan, which has been suspended because of the government's poor record in tax collection.

"The mission is returning to Russia with the intention, if all goes well, that we could go to our executive board in February," said Martin Gilman, head of the IMF office in Moscow.

"However, if the Russian authorities were to propose a series of measures, particularly in the fiscal area, that would significantly strengthen the package now under discussion, it could be expected that the Fund might reconsider the timing of the disbursement."

Sergei Aleksashenko, deputy head of the central bank, said he had discussed a new fiscal action plan with the IMF on a trip to Washington last week.

"We presented this plan to the IMF's experts, and I can say that it produced a very favourable impression on them," he said.

The Russian government is also trying to find new sources of financial support. According to a senior Russian commercial banker, one option would be to ask Russia's most powerful banks and companies to contribute to a $1bn kitty to help bail out the state.

Potential donors, he said, could include Russia's state banks; Oneximbank and Menatep, two of the most powerful commercial banks; and banks linked to Gazprom, Russia's biggest company.

Editorial Comment, Page 15

Klaus faces crucial party congress test

By Robert Anderson in Prague

The Czech Republic's worst political crisis since the collapse of Communism deepened yesterday, causing the stock market to plunge to its lowest level in two years and provoking central bank intervention to defend the koruna.

Parliamentary deputies of the ruling Civic Democratic Party (ODS) met Vaclav Klaus, who resigned as prime minister last weekend, and a majority wanted him to step down as party leader.

However, Mr Klaus enjoys stronger support among party regional chiefs. He has made clear that he intends to be a candidate for the ODS leadership at a special congress on December 13-14, but has said he will not take part in the next government.

The collapse of the Czech government was sparked by a party political funding scandal that did little to enhance the image either of post-Communist Czech democracy or of Mr Klaus as an incorruptible technocratic genius.

Coming six months after a foreign exchange crisis that forced a 12 per cent devaluation of the koruna, the scandal reinforced the impression that hard times lie ahead if the Czech Republic is to restore its reputation as one of the most successful post-Communist countries in central and eastern Europe.

Ivan Pilip, the ambitious finance minister who called for Mr Klaus's resignation on Friday, said that he was prepared to be a candidate if Mr Klaus was unopposed. "I think that somebody should stand against Vaclav Klaus. If I am asked, I'll do it," he told Czech radio.

Mr Pilip, 34, is one of the rising stars of the party, but he has alienated many members by helping to force Mr Klaus to resign.

Vaclav Havel, the president, said on Sunday that the current government should remain in office until the party congress, and that negotiations should then begin with the new ODS leader.

Ondrej Datka, an analyst at the investment bank Patria Finance, said: "The two weeks of uncertainty creates immense room for speculation."

Jiri Pehe, an adviser to Mr Havel, said: "It will be very difficult to form a new government, perhaps even impossible, because of the ODS. If Mr Klaus wins, his coalition partners will not stay with him. If he doesn't, the ODS will split and a government will not be possible."

Under the constitution, early elections can only be called if there is a three-fifths majority in the lower house and a two-thirds majority in the Senate, which is unlikely at this stage. Otherwise there must be three attempts to form a government, which could take up to six months, before elections can be held.

As the political crisis developed, the PXE-50 index of leading stocks fell 4.3 per cent to 458.5, the lowest for more than two years.

The central bank raised its one- and two-week repo rates from 14.8 per cent to 19 per cent and 18.5 per cent respectively, and announced that it was ready to support the currency to smooth trading.

Patching up the Velvet Revolution, Page 14

Klaus: to stand for re-election as party leader

NEWS DIGEST

Prodi worries over opposition

Romano Prodi, the Italian prime minister, yesterday expressed concern that the centre-right opposition coalition had been so badly defeated in the second round of mayoral elections last weekend that the prospect for developing a two-party system in Italy was in jeopardy.

After Silvio Berlusconi's centre-right coalition suffered a defeat similar to that in first round voting two weeks ago, Mr Prodi said the opposition was "in a critical state", adding: "I hope that it reorganises itself so that we can have a bipolar rather than 'mono-polar' system that benefits no-one."

Mr Prodi said he was otherwise "extremely pleased" with the outcome of the elections, which show that the Olive Tree governing coalition has now won 42 mayoral races over two rounds in cities and towns with populations over 15,000 people. By contrast, Mr Berlusconi's alliance has won 25 victories while the separatist Northern League has won 15 overall. *James Blitz, Rome*

■ GERMAN TAX

Waigel ponders amnesty

Theo Waigel, Germany's finance minister, has floated the idea of an amnesty for tax evaders with the aim of achieving a repatriation of capital held in foreign tax havens.

In an interview with the television channel n-tv, the minister stressed that such a move would only be possible if all political parties in Germany gave their approval.

Mr Waigel left unclear whether he was thinking of an amnesty for penalties or one that would also cover missing tax payments. The minister's thoughts appear to be at an early stage of development, because it is understood that there are as yet no plans for such a measure in the Bonn finance ministry.

While unconventional, a tax amnesty would not be unprecedented in Germany. In 1988, some 758,000 tax payers took advantage of an amnesty to declare DM2.4bn ($1.36bn) of interest income that had been concealed from the tax authorities. *Peter Norman, Bonn*

■ EUROPEAN POSTAL SERVICES

Mail monopolies safe to 2003

European Union telecoms ministers yesterday formally adopted a law that in effect postpones any substantial opening of the EU's $75bn postal market to competition until at least 2003 – dashing the bopes of private operators wanting to challenge national monopolies.

EU states are now obliged to open up only the market for domestic mail which weighs more than 350g or whose postal cost is at least five times the price of a standard stamp. However, they may go further if they choose.

The limits of the sector reserved for monopolies rould be reviewed after January 1, 2003, and the European Commission must put forward fresh proposals for liberalising the sector before the end of 1998. *Neil Buckley, Brussels*

■ TURKISH INFLATION

Yilmaz orders price freeze

Mesut Yilmaz, Turkish prime minister, yesterday said the government would freeze all public prices during the first half of next year as part of a strategy to cut inflation to 50 per cent by the end of 1998. His statement added to growing confusion over economic policy. The Istanbul stock exchange index fell 2.3 per cent on the news.

Last week a government minister announced a one-year "shock programme" to cut inflation, now at 93 per cent to 15 per cent by the end of next year. But he was later overruled by Mr Yilmaz, who said the government's previous, more gradual, three year strategy would remain in place.

The strategy endorsed by Mr Yilmaz aims to reduce inflation to 50 per cent next year and to 3 per cent by 1999. Analysts were confused about how the price freeze would be implemented. Ministers have hinted that private companies would be encouraged to moderate prices too.

However, so far there has been no explanation how the government would cover what could be huge losses for state companies. *John Barham, Ankara*

■ BANESTO COLLAPSE

Conde judge petitioned

Mario Conde (left), a disgraced former banker, yesterday went on trial in Madrid, accused of driving Banesto, a leading retail bank, to the brink of collapse earlier this decade. But as soon as the trial got under way, the defence asked judges to throw out the bulk of the case and the prosecution asked for a one-month delay. The court did not rule immediately on the motions, but went ahead with a series of technical matters that will set the tone for the trial. Mr Conde, Banesto's former chairman, is charged with eight counts of fraud, falsification of public documents and misappropriation of funds tied to his six years at the helm. If convicted, he faces up to 44 years in prison.

Also on trial are 10 former associates. The case is expected to last more than six months and bring some of Spain's leading political and economic figures to the witness stand. In a related case this spring, Conde was convicted of fraud and sentenced to six years in prison, but has been free on bail pending appeal. *Reuters, Madrid*

■ EIB LENDING

More loans for EU applicants

The European Investment Bank (EIB), the European Union's financing arm, is set to expand its Ecu7bn ($7.8bn) loan programme to the 10 central and eastern European countries which have applied to join the EU according to Wolfgang Roth, the bank's vice-president.

The bank has already committed Ecu2.5bn worth of loans to the area and a further Ecu4bn is being prepared in infrastructure and corporate loans for 1997 to 1999. The loans are broadly aimed at supporting EU applicant countries' preparations for EU membership.

Mr Roth yesterday signed an Ecu300m flood damage loan, to be repaid over 25 years with a six-year grace period. Ecu225m of the loan is for roads reconstruction and municipal infrastructure, and the Ecu75m remaining for railway repair. *Christopher Bobinski, Warsaw*

■ IRISH BUDGET

Part sale of banks expected

The Irish budget tomorrow is expected to include provisions for the sale of part of the state's shareholding in two state-owned banks, ACC and ICC. The disposal would be the first sell off of state assets in more than five years.

Official figures last week envisaged a budget surplus of I£223m ($330m), with the economy having grown by 7 per cent, and tax receipts at record levels. But Charlie McCreevy, the finance minister, will increase his room for tax cuts by a further I£100m, with the expected sale of shares in ACC, which specialises in farm lending and ICC, a venture capital bank. *John Murray Brown, Dublin*

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NEWS: EUROPE

Israeli banks hang on to wartime secrets

Judy Dempsey on a reluctance to follow the Swiss on dormant accounts, some going back to Holocaust years

Swiss banks will come under scrutiny today when a conference in London will recommend setting up a fund to compensate victims of the Holocaust to be drawn from $54m worth of gold looted by the Nazis.

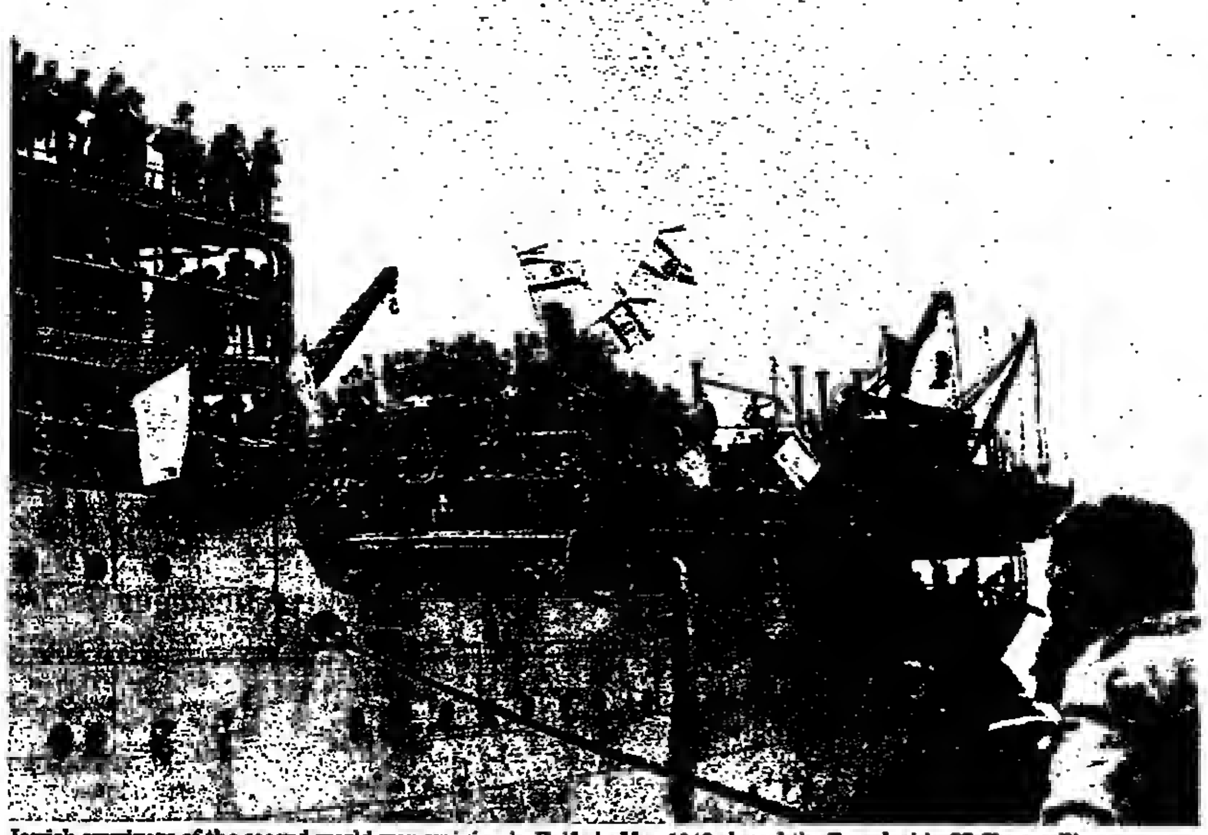
But while the Swiss have admitted they had dormant accounts held by Holocaust victims and have published the names of those bank holders, other countries have been reluctant to open up their dormant accounts to the public. One of those countries is Israel.

The number of dormant accounts held by Israeli banks is unknown, but it is far smaller than those of their Swiss counterparts.

"But that is not the point," said Yona Yahav, a Labour Knesset member spearheading a campaign for the banks to make their accounts public. "If we expect the Swiss to come clean, we have to come clean about our past as well."

After years of indifference, Israel's banks were asked two weeks ago by a Knesset finance committee to hand over a list of their dormant accounts to Shmuel Tsur, the administrator general, by the end of this month.

The administrator general, who is responsible to the justice ministry, is custodian of all "enemy property" confiscated by the British Mandate, which governed Palestine until Israel's modern creation in 1948.



Jewish survivors of the second world war arriving in Haifa in May 1946 aboard the French ship SS Champollion *Hulton Getty*

That property included bank accounts, bonds, shares and land which the British Mandate had confiscated from Jews living under Nazi rule who had invested in Palestine.

Over the past 50 years, Israel's banks have never published a list of the dormant accounts to make it easier to trace the original holders or their decendents. Nor have they passed on records to the administrator general. Mr Tsur believes it is time to end this secrecy.

When he was appointed administrator general years ago, he encountered strong resistance from his own staff to trace the 10,000 original owners of 4,000 unclaimed units of land or property.

Despite opposition, Mr Tsur published the list last September. Since then, his office has been inundated with queries. "Even one of my relatives is on the list," Mr Tsur said.

But the list does not include dormant bank accounts. Mr Tsur is insisting that the banks should give his office all the names of accounts which have had no transactions for more than 10 years, so that he can trace their owners. Citing banking secrecy laws, the banks are reluctant to do so.

Banks are obliged to trace their clients if no transactions have taken place for 10 months. "After another two months, if the client cannot be traced, the bank must invest the money," explained Zeev Abeles, senior director of the Bank of Israel, the central bank, and supervisor of the banks.

He added that the banks were obliged to keep all information about its customers confidential.

Another problem hindering access to the dormant accounts is the definition of abandoned property, the name given to the enemy property when it was transferred to Israel after 1948.

Mr Tsur said it was not clear if abandoned property included bank accounts – even though the British Mandate specificalty included bank accounts and securities as enemy property.

To make access by his office to the accounts even more difficult, he explained that abandoned property does not cover contractual relations. "If relations between the bank and the client are contractual, we cannot get access to the bank accounts. We are trying to change that law."

For their part, the banks said they had no intention of publishing the names of dormant accounts. "We make every effort to trace the owners of such accounts," said Menahem Gutterman, executive vice-president of Israel Discount Bank.

Bank Leumi, one of the largest banks operating under the British Mandate, said it started drawing up lists of dormant accounts a few months ago. But it too is not prepared to publish lists.

"We try to find a connection with the original owner," explained Nachum Bitterman, Bank Leumi's legal adviser. "It is not a simple matter. The banking secrecy law gives priority to the interests of the customer." If there is any co-operation, it is with safe deposit holders. "The banks were very anxious to give us those names because they cost money to maintain," he said.

None of the banks will say how many dormant accounts they hold dated between 1933 and 1948. Nor will they say how much money they hold. By 1939, the Custodian of Enemy Property held over 2m Palestinian Pounds in cash while Mr Yahav believes it could be as much as $300m. Bank Leumi even said they did not have details going back that far, which Mr Tsur finds hard to believe.

"The fact is the banks do not want to expose their customers, and they prefer that the funds stay with them," said Mr Abeles. "But I don't understand why they are reluctant to publish lists of dormant accounts going back 30 years or more."

Mr Tsur is more blunt. "Look at what the banks would have to pay in interest on accumulated capital," he said. "The banks are not willing to make a real effort to trace the owners. I think the banks should open their records to the public. We did it. So should they."

Editorial comment, Page 15

Microfilms trace the path of Nazi gold movements

By Eric Frey in Vienna

Microfilms that have apparently been lost for 40 years could shed light on the fate of gold plundered by the Nazis across Europe.

The microfilms, discovered by a German scientist, belonged to an Austrian concentration camp survivor who did extensive research on the gold trade of the Deutsche Reichsbank, the central bank of Nazi Germany, in the 1940s and 1950s, according to the Vienna newspaper Der Standard.

The owner, Herbert Herzog, died in 1977 and left the microfilms to his widow. They were found last week by a German sociologist, Hersch Fischler, who had noticed Herzog's name while doing research on Nazi gold at the Bundesbank in Frankfurt.

The documents are mostly accounts from the gold division of the Reichsbank. They provide detailed information on the countries and the banks with which the Reichsbank traded during the second world war.

The files detail German gold transfers to various banks in Switzerland and other deals with Croatia, Italy, Romania, Sweden and Turkey. They trace the path of gold looted by the Nazis from the central banks of Belgium and Yugoslavia. They also tell the story of thousands of Italian gold coins, transferred to Germany during the war, which apparently ended up in the possession of the Austrian government.

There are also documents from Nazi Germany's foreign ministry, including a report by the former Reichsbank director, Albert Thoms. This report apparently deals with the so-called "Melmer Gold" which the SS looted from the ghettos and concentration camps in eastern Europe.

Herzog, who had a Jewish father, survived Buchenwald concentration camp. After the war, he befriended a former assistant of the Nazi foreign minister, Alfred von Ribbentrop, who gave him information on some of the looted gold.

Herzog spent the next few years researching the gold trade. He concluded his work in 1957 and spent the next 20 years as a businessman in Vienna. The microfilms remained in his desk and were kept by his wife after his sudden death at the age of 55.

In March, Mr Fischler found a 109-page study done by Herzog in 1957 on Italian gold coins in the archives of the Bundesbank. He contacted Herzog's widow, who passed the documents to him.

Herzog apparently worked closely with German and US experts researching the Nazi gold trade after the war.

EU halts marketing of TV decoder

By Emma Tucker in Brussels and Ralph Atkins in Bonn

The European Commission has ordered Kirch, the German television group, and Bertelsmann, the German media group, to stop marketing a digital decoder box, pending the outcome of European Union investigations into German digital TV.

Karel Van Miert, the EU commissioner for competition, said yesterday the use and marketing of the digital box by Premiere, the joint venture which pools the digital television interests of Bertelsmann and Kirch, violated EU competition rules.

"Bertelsmann and Kirch have been requested to ensure that this illegal behaviour, which can be punished by fines, be stopped immediately," the Commission said.

It also demanded that the companies "correct the impression" created by their marketing campaign that the decoder box was already the definite digital standard for the German market.

Kirch and Bertelsmann, which only notified the Commission of their merger plans yesterday, reacted angrily to the letter. Kirch said the demand would leave Premiere as the only pay-TV broadcaster in Europe which was forbidden from using a "d-box". Germany's competitiveness in the digital television sector was being "clearly hindered".

The row is the latest between Brussels and an alliance of Kirch and CLT-Ufa, the Luxembourg-based broadcasting group in which Bertelsmann has a 40 per cent stake.

Mr Van Miert had already warned that the German broadcasters could face fines if the enlarged Premiere operation began conducting business in the digital TV sector before Brussels granted approval. Brussels fears creation of a monopoly in German digital TV.

Compromise suggestion for differential emission targets draws mixed response

US softens stance at climate talks

By Bethan Hutton in Kyoto

A shift in the US negotiating position on the first day of the United Nations climate change talks in Japan drew a mixed response from other key parties.

The conference has 10 days to reach agreement on legally binding commitments to reduce greenhouse gas emissions by developed countries.

The US was "prepared to consider the possibility of limited, carefully bounded differentiation" if it helped resolve differences over numerical targets for cutting greenhouse gas emissions, said Melinda Kimble, acting US assistant secretary of state, at the opening session yesterday.

Differentiation refers to setting varied targets for different countries, depending on factors such as previous reductions in emissions, or comparative levels of emissions per capita or relative to GDP. Until now, the US has been proposing that all participants agree a uniform target on the grounds it would be easier to negotiate.

Its own proposal to stabilise emissions at 1990 levels by 2010 would would require the US to cut emissions which are currently 11 per cent above 1990 levels.

Japanese officials welcomed the US statement as an indication of growing flexibility and efforts at compromise. But EU officials said the statement was a sign of flexibility in the wrong direction.

"We get the impression that the game is to find ever more loopholes in these negotiations, and that is a bad omen," said Pierre Gramegna, the Luxembourg ambassador who is representing the presidency of the EU. Differentiation was more likely to be an excuse for reducing targets than increasing them, the EU argued.

The Japanese proposal already includes elements of differentiation. It sets a maximum target of a 5 per cent cut from 1990 levels, but the goal for each country can be reduced by several percentage points by using several formulae to take account of progress to date and other factors. In Japan's case, the actual target works out at 2.5 per cent.

US officials would not give details of what sort of differentiation the US was contemplating, but Ms Kimble called for the conference to establish a working group to look at the issue.

The US is under strong pressure this week to move closer to the Japanese and EU positions, which are seen as more ambitious targets for emission cuts. Environmental lobbyists – a strong presence at the conference – criticise even the EU proposal of a 15 per cent reduction as too weak.

There are also still disagreements over the basis for measurement, including whether three or six greenhouse gases should be included, and whether the effect of "sinks" – forests which absorb carbon dioxide – can be factored in.

Significant headway is seen as unlikely until after the weekend, when world environment ministers arrive for the final stage of negotiations.

The head of the US delegation has not yet been decided. If the vice-president, Al Gore, comes to Kyoto, it will be taken as a sign that the US is serious about negotiating a solution which the senate will ratify. The former chief US negotiator, Tim Wirth, resigned suddenly last month.

The conference continues until December 10. More than 10,000 delegates, lobbyists and journalists have already descended on Kyoto for the event.

Global warming, Page 14

'Clean' cars in the pipeline – but the price is high

Haig Simonian on the carmakers' Kyoto case against emission limits and demand for more money to develop new technology

Climate change

No industry is believed to have opened its wallet wider for the $13m spent by the Global Climate Coalition, a US industrial lobby group, than Detroit.

General Motors, Ford and Chrysler have revved faster than a V8 engine to alert the public to the risks of agreeing legal limits on greenhouse gas emissions at the Kyoto conference on climate change this week.

The "Big Three" carmakers have argued binding commitments would be tantamount to inviting recession and exporting jobs. Rather than selling US workers down the river, the carmakers say Washington should spend more on developing new technology.

Improvements to engines mean today's cars are less polluting than the gas-guzzlers they replaced. Apart from better fuel consumption, reducing the amount of carbon dioxide emissions, modern cars emit fewer toxic gases, such as carbon monoxide, nitrogen oxides, and, for diesels, particulates.

Detroit can point to promising results from its research. Just weeks before the conference, USCAR, the government-supported industry alliance working on cleaner vehicles, announced progress in developing a virtually "clean" car using a hydrogen-powered fuel cell.

For hardened environmentalists, the news was suspiciously timely. But less ardent greens grudgingly accept that products in the pipeline could significantly reduce, if not altogether eliminate, the car's dirty image.

Louis Schweitzer, chairman of Renault and president of the European Automobile Manufacturers' Association, reckons clean electric vehicles, with batteries offering "reasonable range", could be on sale by about 2005. Five years later, fuel cell vehicles – which, at best, emit only water vapour – will be widely available.

Mr Schweitzer predicts the coming decade will also see hybrid cars, combining conventional internal combustion engines with electric motors. And there is even scope to cut pollution from current petrol and diesel engine technology significantly by 2005, he reckons.

Such confidence is not fanciful. This month sees the debut of Toyota's new Prius saloon in Japan. Driven by a fuel efficient and low emission 1.5 litre petrol engine combined with a 30KW electric motor, the world's first commercial hybrid car achieves ground-breaking fuel economy without compromising either performance or packaging.

The problem is price. The Prius costs Y2.15m ($16,610) – nearly twice as much as a similarly sized conventional car. To make it palatable to consumers, Toyota has subsidised even that price tag as the Prius costs appreciably more to build. The company hopes costs will fall if demand pushes output beyond an initial 1,000 cars a month.

Yet the Prius sums up the dilemma for manufacturers and environmentalists alike in cutting emissions. While the political will and the technology to develop cleaner products exists, only when greener new cars can offer comparable performance to existing vehicles at competitive prices will people buy them.

That begs the question of what policymakers should do to stimulate change. Many of the vehicles being developed have been prompted by threatened or perceived new legislation to limit car use.

In Europe, Mercedes-Benz and Switzerland's SMH watches group, best known for the Swatch, have co-operated to produce the Smart. The tiny two-seater, designed primarily for urban use, is intended as a response to possible restrictions on car use in congested cities. With unprecedented fuel economy and very low emissions from its 660cc petrol engine, the Smart's backers believe it corresponds with the more eco-sensitive mood of today.

Further ahead, the focus is on fuel cells. Mercedes-Benz has put its money where its mouth by buying 25 per cent of Ballard Power Systems, the Canadian company believed to be at the forefront of fuel cell technology. Mercedes-Benz hopes to have a hydrogen-powered version of its A Class hatchback on sale before the end of the next decade.

In the US, the pace has usually been set by California's Air Resources Board. Faced with the threat of serious pollution in the state's big cities – notably Los Angeles – the CARB has for years wielded the big stick of legislation to push manufacturers into developing cleaner products.

The size and importance of the Californian market mean the CARB's writ has loomed large. Honda, which should launch its own hybrid next year, has developed a prototype "zero level emissions vehicle", which can achieve "one tenth" of the more draconian future emission targets being set by the state, says Nobuhiko Kawamoto, president.

But even John Dunlap, the CARB's soft-spoken head, has to reverse at times. Mr Dunlap, who made himself the scourge of the motor industry by demanding highly ambitious targets for non-polluting cars, was last year forced to backtrack after lobbying from Detroit prompted the board to postpone a deadline that a fixed proportion of future cars sold in California should be wholly non-polluting.

One reason for the second thoughts was the motor industry's argument that forcing new technology on to the market before consumers were ready could be counter-productive.

The reason was that battery power, the most immediately available clean power source, has proved one of the industry's biggest disappointments. Progress has been limited by the restricted capacity of traditional lead-acid batteries to store electric charge. Batteries made of other compounds can hold more, but are prohibitively expensive.

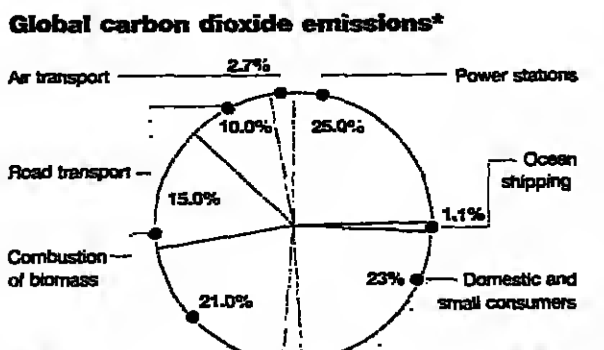
Such limitations explain the slow progress of GMs' EV1, the world's first battery-powered production car. Demand in Arizona and California, where the EV1 has been available for almost a year, has been more sluggish than the golf buggies to which the EV1 is sometimes unfairly compared.

The carmakers argued California's rules would have forced them to build thousands of electric cars, based on existing technology, which would have been unattractive to motorists and might have blighted the image of environmental cars for ever.

GM is about to fit new higher capacity nickel metal-hydride batteries to double the EV1's range. It might never have developed the car without the legislators' stick. But then again, its shareholders would have revolted at an estimated $1bn project without the carrot of potentially lucrative sales at the end of it.

This is the first of a series of articles on issues related to climate change negotiations at the Kyoto conference.

Detroit has revved faster than a V8 engine to warn on limits



NEWS DIGEST

Call to improve accountability

One of the leading international investors in emerging markets said yesterday that recent market turmoil should be used to improve accountability.

Mark Mobius, who manages more than $15bn as president of Templeton's emerging market funds, said the need for funding would make companies willing to become more transparent. "Fund managers like ourselves are going to be able to demand to know what's going on," he said.

Mr Mobius, who launched a new eastern European fund in the UK yesterday, said the group often acted as a "lone voice" demanding greater transparency in countries such as Brazil. He believes Ukraine, Vietnam, Pakistan and Indonesia are among a handful of countries where investors should beware a lack of information. Templeton, part of the large US group, has poured money into south-east Asia since the market collapse over the summer. Mr Mobius is still bullish about Thailand, Indonesia, the Phillippines and Malaysia. He warned investors yesterday not to look for short-term profits in eastern Europe. *Jane Martinson, London*

■ UNITED NATIONS

Annan calls for Iraq review

Kofi Annan, United Nations secretary general, yesterday recommended that the Security Council consider allowing Iraq to sell more oil to ease the plight of its population hard-hit by the sanctions regime.

In his report to the Council, Mr Annan, however, stopped short of proposing a specific increase of the $2bn of oil Iraq currently can sell every six months under the UN "oil-for-food" deal.

"Given the scale of urgent humanitarian requirements in Iraq,the Security Council may wish to re-examine the adequacy of the revenues as envisaged by resolutions 986 and 1111 and to consider the possibility of increasing those revenues to meet Iraq's priority humanitarian requirements," he said. The Council must decide this week whether to renew the programme, which expires on Thursday. *Laura Silber, New York*

Commodities, Page 28

■ METALS TRADE

Trans-World files suit

The Trans-World Group, a large global producer and trader of metals, filed suit in Brussels yesterday against three former associates in Kazakhstan, whom it accused of fraudulently taking over the group's assets there.

The three are accused of claiming to represent Trans-World's controlling shareholding in several Kazakh metals plants, and voting, along with officials of the Kazakh government, to nullify management contracts which allow Trans-World to control the plants. This allegedly occurred at the Pavlodar Alumina refinery and at the Aksu Ferroalloys plant over the past two weeks. A third attempt was made to take over the Sokolovsky iron-ore mine, which was thwarted. *Charles Clover, Kiev*

■ TRUTH COMMISSION

Tutu in warning to PW Botha

Archbishop Desmond Tutu yesterday warned PW Botha South, Africa's former president, he could be jailed for up to two years if he failed to give evidence before the Truth and Reconciliation Commission on Friday. The archbishop, who heads the commission which is investigating human rights abuses committed during the apartheid era, said Mr Botha was required by law to appear on Friday and had received a subpoena.

"He told me last year that he was a law-abiding citizen. Wa are insisting that he must appear and we hope he will change his mind and obey a lawfully-issued subpoena," he said. Mr Botha's lawyers told the commission yesterday the former president would not appear before the commission. *Roger Matthews, Johannesburg*

Egypt plans drive to open up its insurance market

By Mark Huband in Cairo

At least one of Egypt's public sector insurance companies is to be part-privatised within a year in advance of significant reforms that will allow foreign insurers greater access to the largely closed Egyptian market and give the sector a big role in achieving the government's economic growth targets.

Announcing the measures at a meeting of Egypt's leading insurers yesterday, Yousef Boutros Ghali, minister of economy, largely brusbed aside criticisms by opponents of a free market in insurance who claim the industry provides an adequate range of services.

At present, 75 per cent of Egypt's insurance market is dominated by three state-owned giants formed out of tbe nationalisation and merger of 160 companies in 1961.

A further 20 per cent is controlled by part-public part-private companies, while the rest is in the hands of two joint ventures part-owned by foreign partners from Bahrain and the US.

Strong resistance to liberalisation is likely to come from insurers who fear foreign competition will not only bring a wider range of services but also new skills to a sector which the government views as seriously under-treined and ill-equipped to expand and modernise.

Mr Boutros Ghali indirectly criticised the failure of the domestic insurance industry to amass funds on a scale which showed its ability to exploit its almost exclusive access to Egypt's 62m people, only 60,000 of whom are said to hold life insurance policies.

He revealed that insurance premiums accounted for only two-tanths of 1 per cent of gross domestic product, much less than in developed countries. The government judged the success of the sector purely on the basis of its contribution to the overall laval of economic growth and its ability to attract savings on a scale which will boost investment.

Tbe government recently announced that state pension funds would be invested on the stock market, as part of a series of steps towards injecting new domestic capital into the economy.

The long-awaited decision to energise the insurance sector comes as part of the same series of reforms, which the government regards as vital to achieving 7 or 8 per cent economic growth by 2001.

The low value of insurance premiums is viewed as a sign that the companies have failed to create a role as what Mr Boutros Ghali called "managers of risk".

Armed truce in Iran's 'war of words'

Robin Allen dissects the struggle to control the direction of Tehran's Islamic revolution

Iran's leadership appear to have sattled for an armed truce in the month-long "war of the microphones".

The clash has been going on between reformist supporters of President Mohammad Khatami and hard-line traditionalists fiercely opposed to any dilution of the authority of the country's spiritual leader, Ayatollah Ali Khamenei.

Analysts broadly agree that the future direction of Iran's Islamic revolution and the fate of president Khatami's reform programme both hang on the outcome of the dispute, which has been marked by street violence and thuggery.

Neither of thesa activities is welcome to President Khatami's government as it prepares to host next week's summit meeting of the 55-member Organisation of Islamic Conference (OIC).

With 35 heads of state present, the summit is the biggest international event Iran has hosted since the days of the Shah.

Coming only weeks after the disappointment of the US-backed Middle East and North Africa conference, it will be the highest-level Arab gathering since before the Gulf war.

At the core of the struggle is the relative lack of authority invested in the office of Iran'a president.

Mr Khatami was elected last May by a landslide 70 per cent of voters, but his authority as president is circumvented under Iran's 1981 Islamic constitution, by other executive power centres.

Notable among thesa is that embodied in the concept of *velayat-i-faqih*, the supremacy of the clergy, and the presence of Ayatollah Khamenei as suprema leader, a position to which ha was elected for life in 1989 by tha 70-strong clerical-dominated Assembly of Experts.

As the "supreme Islamic jurist" and inheritor of the mantle of Ayatollah Khomeini, the Islamic republic's founder, Ayatollah Khamenei has the last say on many aspects of Iran's foreign, social and economic policies.

Now his intellectual capacity as well as his right to hold sway is being challenged, not by President Khatami who has been careful to keep himself and his office above the fray, but by other clerical and secular individuals ostensibly speaking on his behalf.

They blame Ayatollah Khamenei and other vested interests for preventing the reforms expected from Mr Khatami.

On Saturday, Mr Khatami, wbo has successfully maintained a lofty detachment from the disputes surrounding Ayatollah Khamenei's right to rule or to merely supervise, restored an element of calm.

He achieved this by announcing the formation of a five-member committee to ensure implementation of the constitution, "giving priority to the articles guaranteeing the protection of people'a individual and social rights".

He also re-emphaaised the importance of women's contribution to the development of Iranian society, a reference to the constituency responsible for providing him a substantial support in the election.

His initiative followed a call on Friday from former President Hashemi Rafsanjani, now head of an enlarged Expediency Council, for all Iranians to unite against their common enemies, wbicb be described as "America, Israel and counter-revolutionaries".

Both sides claim to be the correct interpreters of the country's Islamic constitution.

"The rivals' language may be cloaked in arcane-sounding terms of Shia clerical dogma and the finer points of constitutional interpretation," said one senior Western diplomat.

"However, the real fight is about political supremacy, and ultimately, political survival. It's between those who claim political legitmacy rests with the people who voted last May for President Khatami, and those, both clerical and secular, who feel threatened by the scale of popular support for Mr Khatami.

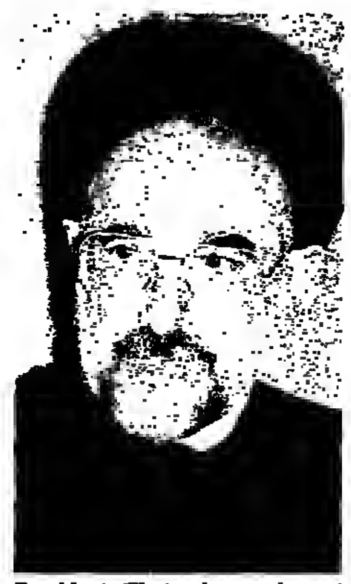
"The latter have a vested interest in seeing absolute power maintained through the pre-eminence of the largely self-appointed clerical oligarchy."

According to Fariba Adelkhah of the Paris-based Centre d'Etudes et de Recherches Internationales (CERI), Mr Khatami wants to centralise the diverse pockets of political power around the office of president "without putting at risk the stability of the whole system".

By common consent, this is a Herculean task. But despite being hamstrung both by constitutional restrictions as well as his own relative lack of government experience, Mr Khatami is already credited with some successes.

Tbese are marked by his anlightened cabinet appointments, in particular that of Mr Abdullah Nouri as interior minister and Mr Ataollah Mohajerani as culture and Islamic guidance minister.

Both have contributed to lifting the feelings of social repression which have marked ordinary peoples' lives for nearly a generation.


President Khatami: an element *of calm has been restored*

If the cost of living and inflation are still preoccupying most ordinary people, Mr Khatami can at least point to the failure of US economic sanctions to prevent his government signing gas agreements with France, Malaysia and Russia, to develop the South Pars gas field.

He can also point to new gas agreements with Iran's Central Asian neighbours. But the most visible auccesses have been in the foreign policy field.

Relations at ambassadorial level have been restored with the European Union, dialogue has notably been improved with Arab countries, especially Saudi Arabia, and Iran is basking in the interest of Russia, now intent on making a comeback in the region.

Analysts say there has to be a tacit agreement on a new division of power within the Iranian hierarchy if Mr Khatami is to deliver on his perceived intention to reform.

"The revolution has passed a watershed," one senior diplomat said. "There is the widespread feeling the 1978/79 revolution has run its course."

"If Mr Khatami can avoid getting pulled into the dispute between his supporters and Mr Khamenei, if he sticks to his policy of emphasising toleration and the rule of law, and remains neutral, he could aee his political position progressively reinforced.

"And reinforced to the point where eventually he can impose his own concept of presidential power."

NEWS: WORLD TRADE

European Court forced to balance interest of cotton weavers against textile finishers and garment makers in third dumping probe

Commission faces fight on cotton anti-dumping

By Neil Buckley in Brussels

The European Commission's move to open a third investigation into dumping of unbleached cotton from six Asian countries – only weeks after anti-dumping duties were thrown out by EU ministers – is facing a European Court challenge backed by a powerful alliance.

The Brussels-based Foreign Trade Association, representing European Union-wide import companies, has joined a complaint by the UK textile importer Broome & Wellington, Europe's largest importer of unbleached cotton, that the Commission abused its powers by agreeing to re-open the probe.

The two are receiving political support from a coalition including Eurocommerce, the wholesalers' organisation, Cliert, representing the 160,000-strong textile finishing industry, and Beuc, the Europe-wide consumer organisation, as well as a group of Euro-MPs.

The long-standing complaint over unbleached cotton from China, Egypt, India, Indonesia, Pakistan and Turkey is one of the EU's most contentious dumping cases. The formation of such a broad alliance against the complaint, and launch of a European Court challenge, is another illustration of the increasingly controversial nature of Europe's anti-dumping policy.

The alliance claims that imposing duties on unbleached cloth – as demanded by Eurocoton representing EU weavers – would push up raw material prices and so threaten far more jobs in Europe's textile finishing and garment-making industry than it would save among weavers. It would also lead to higher prices for consumers.

A first complaint by Eurocoton was rejected by the Commission in 1995. A second complaint led to imposition of six-month, provisional anti-dumping duties by Brussels last year.

But EU foreign ministers rejected the Commission's call to convert the provisional duties into definitive, five-year, measures last May – in spite of the intervention by France's President Jacques Chirac, who tried to get the measures adopted. Many of the EU's weavers are located in France, and Mr Chirac gave an electoral pledge to defend their jobs in May.

The basis of the opposition alliance's legal case is that the Commission should not have opened a third dumping investigation less than two months later, effectively defying the ministers' decision.

"Ministers may say no to anti-dumping duties, but the Commission can effectively overturn that by continually re-opening inquiries. That is constitutionally wrong," said Joshua Rowe, senior partner at Broome & Wellington.

Eurocoton, however, says it is legitimately defending its members' interests against unfair practices.

ICO to resist ruling over $1bn charge

By Christopher Price

ICO Global Communications yesterday said it would strongly resist a $1bn charge proposed by the US authorities on the European satellite group.

The Federal Communications Commission has ruled that ICO must pay the charge as compensation to users of spectrum frequencies which have been allocated to the European group; those users must now relocate. The size of the payment would increase ICO's total funding requirement by 25 per cent.

However, the move has drawn a sharp response from Sir Leon Brittan, vice-president of the European Commission. He has written to Charlene Barshefsky, tha US trade representative, warning thet the compensation charges could spark a wave of retaliatory action from other nations. The Commission has been monitoring tha implementation of the World Trade Organisation telecommunications accord to liberalise market access.

ICO plans to launch the first of a 12-satellite network next year. It is one of three satellite consortia developing global telecoms systems for the cellular market.

Motorola, with its $4bn Iridium system, and the $2.7bn Globalstar network, backed by Loral and Qualcomm, are the two main rivals. Both are US consortia, adding a further twist to Sir Leon's intervention. A third consortium, Odyssey, backed by TRW, has yet to announce details of its plans.

ICO said the $1bn charge would "undoubtedly have a big impact on our bottom lina" shonld it be implemented.

The company, which has 51 shareholders, including British Telecommunications, Singapore Telecom and Dautsche Telekom, has raised $1.7bn of its estimated $4.3bn funding requirement.

The group said yesterday it was in the process of considering its options for the next round of funding. This would either be through debt, further member contributions, or a flotation.

Sir Leon's letter to Ms Barshefsky warned that Europeans are "highly concerned" that the charges "would constitute a barrier" for ICO in tha US. Tha charges contradict US trade policies, be argued, adding that they could lead to a "raising of market barriers" elsewhere. ICO also argues that the charges constitute a disproportionate market barrier. USTR is reviewing the position with with other agencies before issuing a response to Sir Leon's letter.

Iridium, with 66 satellites, and the 56-strong Globalstar, are planning to launch low-earth orbit systems. ICO's network will be in a higher middle-earth orbit.

Philippines set to sign big gas supply deal

By Justin Marozzi in Manila

The Philippines is poised to sign a landmark gas supply and purchase deal with Shell and Occidental later this month, following the conclusion of more than two years of negotiations.

Nntional Power Corporation (Napocor), the country's lnrgeat state-owned utility and due for privatisation, has been negotiating terms with the Shell-Oxy joint venture for the 20-year supply of gas to the 1,200MW gas turbine power plant in Batangas, outside Manila.

Napocor said Shell-Oxy had egreed to rednce the base price of gas from the Malampaya-Camago gas fields in western Philippines from $3.86 per gigajoule to $3.69. In return, Napocor will assume responsibility for procuring replacement fuel in the event of Shell-Oxy defanlting on supply.

"Essentially, negotiations with Napocor have been concluded to snpply the Ilijan power plant with 1,200MW of power and an agreement has been finalised subject to internal processes," a Shell official said yesterday.

The agreement, which involves the installation of a 500km pipeline linking the Malampaya-Camago gas fields to Batangas, is worth at least $2bn. A separate agreement yet to he concluded hetween Shell-Oxy and First Gas Holdings, a Philippine group partnered by British Gas, is expected to be worth an additional $2bn.

> The government's deadline for the deal to be signed is December 31

"To be able to do a project of this magnitude, at a time when virtually the entire south-east Asian region is undergoing a financial crisis, is a great achievement," said Gnido Delgado, Napocor president.

The government has set a deadline of December 31 for the signing of the deal. Agreement must first be reached, however, between Napocor, Shell-Oxy and the departments of finance and energy.

Mr Delgado said Shell-Oxy wonld he implementing "staircased" gas pricing that would gradually rednce the base price from $4.02 per GJ in 2002 - when the Ilijan plant is scheduled to begin operations - to $3.37 per GJ in 2021. The joint venture wonld also install a desulphurisation plant at the gas landing fecility plant in Batangas.

The government owns 60 per cent of the field's gas reserves, estimated at 2,500bn cu ft to 4000bn cu ft. It is projecting revenues and royalties at $900m over the 20-year period.

A final agreement would represent a strong boost to the conntry's embryonlc natural gas industry that is designed to diversify the fnel mix awey from more expensive imported crude oil to increased use of indigenous sonrces, including coal, geothermal and hydro-electric. At present, gas represents 150,000 barrels of fuel oil equivalent, or just 0.06 per cent of the country's energy. The government's energy plan projects this will rise to 11 per cent hy 2025.

NEWS DIGEST

EU relents over US fur ban

The European Union has called off a ban on fur imports from the US after accepting a pledge from Washington to phase out steel-jawed leghold traps, used for catching animals, within six years.

EU ambassadors accepted by a qualified majority the latest US offer which improved on earlier proposals to ban traps within eight years. But the US commitments still fall short of those given by Canada and Russia, two other countries which use the same sort of traps, to phase them out within five years.

Ambassadors said the US proposals went far enough towards meeting their concerns to allow a ban on imports of US fur caught using the traps, due to come into force yesterday to be called off. The EU has sided with animal welfare activists who say steel-jawed traps cause unnecessary suffering. But the US had argued that banning them could threaten the livelihoods of trappers, many of whom are native peoples living in remote areas.

Neil Buckley, Brussels

■ ASIAN CAR MARKET

Thais to build Honda CR-V

Honda will start producing its popular CR-V model in Thailand to meet demand for the sport utility vehicle and to maintain production at its Thai manufacturing facility. Honda's decision to prodnce the SUV in Thailand comes as many Japanese car manufacturers have been scaling back their activities due to the slump in demand following the regional currency crises.

Toyota has halted production at its Thai plant through the year while other Japanese car makers have drastically cut production. The car maker believes sales in Thailand will fall about 30 per cent this year.

Honda has also been hit by falling demand which has forced it to cut production at its local facility by half. Sales of Honda vehicles, plunged in October to 1,260 units, compared with 3,600 in the same month last year.

Michiyo Nakamoto, Tokyo

■ CATTLE PRODUCTS

US forces ban to be delayed

Controversial plans to ban the use of specified cattle products in the European Union could be delayed by three months to April 1 in the face of intense pressure by the US. The European Commission, the EU's executive, is to consider postponing the ban's implementation as a short-term alternative to a series of exemptions also being proposed to avert a trade clash with Washington. The issue will be discussed by the EU's 20 commissioners at their weekly meeting tomorrow.

Although it was unclear yesterday whether they would make a final decision, there is pressure for concessions ahead of an EU-US summit on Friday between President Bill Clinton of the US and Jacques Santer, European Commission president. The Commission last July won support among member states for a ban from January 1 on the parts of cattle thought to be most at risk of carrying the BSE mad cow disease, mainly the brain and spinal cord. However, a significant minority of EU countries opposed the ban and some are applying for exemptions themselves.

Michael Smith, Brussels

NEWS: ASIA-PACIFIC

Foreign banks resist Beijing tax plan

By James Harding in Shanghai

Foreign banks in China have launched a concerted campaign against Beijing's decision to impose withholding tax on interbank and interbank funding, a levy which international bankers say could destroy their lending businesses in China and force banks to move operations offshore.

In a letter due to be sent this week to Zhu Rongji, vice-premier in charge of the economy, more than 50 foreign banks from all over China have expressed "their serious concerns".

"Any imposition of withholding tax on interbank and interbranch funding will have a significant negative impact on the development of the Chinese financial markets without necessarily increasing tax revenues," the letter warns.

The imposition of withholding tax would make most lending in China unprofitable for many foreign banks which rely on funds from their overseas branches to finance loans. The tax will not be levied on domestic banks, threatening to put foreign banks at a significant disadvantage to the Chinese banking sector.

Foreign bank branches tend to source at least part of their funds used for foreign currency lending from fellow branches in Hong Kong or Singapore.

The prospect that China's tax administration will shortly start collecting the new levy, which first announced during the summer and will be imposed retroactively starting next July, has already started to change lending business in China.

The fears of foreign banks participating in a $555m loan facility for a new General Motors factory in Shanghai that they could face an additional 10 per cent cost has prompted a decision to book commitments offshore. Other new loans are likely to be transferred to branches outside China in order to avoid the tax.

The appeal to Mr Zhu, which has been signed by the majority of leading international banks in China, says that the transfer of existing loans to branches outside China is one of the options facing foreign banks if the tax is collected. Others include passing on the cost of the tax to borrowers or absorbing the tax in the branch.

Given the financial crisis which has spread through other countries in Asia, the foreign banks warn that the imposition of the tax would "increase the risk of seriously undermining international confidence in Chinese banking and the financial markets an the investment environment as a whole".

China's tax bureau has been seeking new ways to increase revenues, which have struggled to keep up with growing expenditure on welfare policies and infrastructure programmes.

● China would almost certainly devalue the yuan if the country's export growth was undermined by "competitive devaluations" in south-east Asia said Vincent Truglia, managing director of Moody's Investors Service, writes Edward Luce. In a speech to be delivered at a meeting of the Association of South East Asian Nations in Kuala Lumpur today, Mr Truglia will warn that the regional crisis could "drag down" the economies of Europe and the US.

Mr Truglia, who has overseen Moody's recent downgrading of the sovereign credit ratings of Thailand, South Korea and Malaysia, said that Asian governments should not resort to "fiscal rectitude" in response to the regional crisis. Such a response could bring the "dynamic economies" of the world "to their knees", he warned.

Tough pragmatist behind a smiling face

Peter Montagnon profiles the man leading Seoul's IMF talks

Newspaper pictures of Lim Chang-yuel, South Korea's finance minister, who is leading the country's rescue talks with the International Monetary Fund, typically show a slightly pudgy, smiling face exuding easy-going congeniality.

But the reality is different, economists and officials say. Mr Lim is a shrewd, but pugnacious bureaucrat and a firm believer in the dirigiste traditions of South Korea's civil service. Thus it surprised few that Michel Camdessus, IMF managing director, yesterday politely rebutted his robust assertion on Sunday that a deal was in the bag.

Mr Camdessus said the two sides had made a big leap to an agreement but details still needed to be worked out. The negative response of Seoul financial markets yesterday suggests investors remain uncertain about how the final agreement's small print will read, and how easy it will be to write it.

Unlike his predecessor, Kang Kyung-shik, who was abruptly dismissed shortly before Korea turned to the IMF for help, Mr Lim is known as a nationalist and conservative with no history of supporting economic reform and deregulation.

While the motives behind his premature announcement remain unclear, some in Seoul believe it was an attempt to bounce the IMF into a weak agreement; many still expect him to stand firmly against excessive dilution of the finance ministry's power.

"These are adversarial negotiations. Korea has no concept of a win-win outcome," says one western diplomat. "Mr Lim is a smart guy," adds Sung Hee-jwa of the Korea Economic Research Institute, "but his strong personality may become a stumbling block".

In the background to Korea's economic crisis is the failure of President Kim Young-sam's administration to push through economic reform which might have weaned Korea off its dirigiste traditions.

Though he came into office promising such reform and has tried to promote it by bringing Korea into the Organisation for Economic Co-operation and Development, President Kim has met stubborn resistance from the finance ministry's mandarins.

Korea's command-style economy is still reminiscent of the old East Germany, says David Hale, chief economist of the Zurich financial services group. The comparison is apt.

South Korea's *chaebol* conglomerates are reminiscent of the East German Kombinate, power centres in their own right but closely linked to government. Companies and banks talk about the need for globalisation, but try to prevent global market forces interfering with how they do business at home.

Most foreign economists agree Korea needs a market-oriented economic system where banks and industrial companies are cast loose from government patronage and forced to rely on their own ability to survive and generate profits. But this needs cultural change as well as finance ministry agreement to relax its grip.

South Korean bank employees protest in Seoul yesterday

An attempt two years ago to water down the finance ministry's power by merging it with the more liberally minded Economic Planning Board is widely seen as a failure. Finance ministry mandarins simply overwhelmed the planners and sidelined them.

Public suggestions by Mr Kang that the right response to this year's spate of bankruptcies was to speed economic reform were ignored by his own officials. This is the conservative institutional tradition Mr Lim now has to defend. Colleagues say Mr Lim's overseas experience, as the finance ministry's attaché in London and as an executive director of the World Bank, have not converted him to the cause of liberalism.

"I wish the dismissal of Mr Kang had not occurred. He's far more reform-minded and would have been a much better person to negotiate with the IMF," says one official who supports reform. "Mr Lim is a traditional official, whose style tends to be confrontational."

Since becoming finance minister, Mr Lim has ruffled US feathers by an initial reluctance to meet a visiting senior US Treasury official. Some Korean officials suggest that, in his previous role of trade minister, he aggravated rather than smoothed the dispute with the US over Korea's closed car market. But his saving grace may be his pragmatism. "He is tough, but he can be quite logical," says Sakong Il, chairman of the Institute for Global Economics. "Once he sees the need, he can move promptly."

An example is the decision to open the bond market to foreign buyers two weeks ago. Determination to keep them out had become an issue of importance for conservative policy-makers, but, though Mr Lim was simply adopting a plan prepared by Mr Kang, he went along with it in an attempt to avoid seeking IMF help.

Colleagues say Mr Lim has a fine sense of which way the wind blows and add he is under pressure to reach an IMF accord because of Korea's looming presidential elections. Even so, the painful talks on OECD membership show just how South Korean negotiators can wear their interlocutors down.

In the IMF talks, the stakes are higher; victory for Mr Lim does not necessarily mean agreement on the reforms Korea's foreign creditors say it needs.

Learning the wrong lesson from Japan

James Kynge on worries over Malaysia's 'black holes'

Malaysia has long been seeking to emulate aspects of Japan's economic system. There is close co-operation between the government and the private sector, companies are linked through a web of share cross-holdings and several conglomerates have banking and finance arms.

Now, Kuala Lumpur is responding to its financial crisis in much the same way as the Japanese did when their "bubble economy" burst at the end of the 1980s.

Stock market analysts are worried. The lesson from the recent collapse of Yamaichi Securities, Japan's fourth biggest broker, they say, is that debt-ridden companies must be allowed to fail quickly rather than reduce the efficiency of the financial system for years before staggering to insolvency.

"Malaysian policy responses have been inappropriate," said Seema Desai, regional economist for Schroders Securities in Singapore. "You just have to allow companies to close down because otherwise it is like a black hole. If you continue to bail them out, bigger and bigger parts of the banks' loan books become non-performing," she said.

Malaysia signalled last week that it intended to bail out brokerage houses to prevent systemic failure. Anwar Ibrahim, the deputy prime minister and finance minister, said that a M$500m ($143m) stand-by fund had been set up for this purpose.

He added that three conglomerates had pledged to fund their indebted stock-broking firms through the crisis. Two more are expected to follow suit. Analysts said this would mean that instead of losses being written off, the "real" economy would suffer for the excesses of the financial system.

"The aim is to sweep all of the bad news under the carpet. But, as we have seen with Japan, persistent financial weaknesses can stall a wider economic recovery for many years," said a foreign economist in Kuala Lumpur.

There is no question that the pain, already acute, will intensify. Stock prices have lost nearly 60 per cent since their peak in February, wiping about M$500bn – or more than three times this year's expected gross domestic product – off share values. Many of these shares were bought on a margin, with about 60 per cent of the value remaining unpaid.

So far banks have found ways not to call in much of this margin borrowing, such as reclassifying them as regular loans. In addition, new loans are also being granted to individuals who have been unable to repay debts, bankers said. This type of credit is adding to an already alarming debt overhang expected to reach 170 per cent of GDP by the end of this year.

Most analysts believe that in due course a bail-out facility for Malaysian banks will also be established. But there may come a time when the government is unwilling, or unable, to devote any more state money for rescue packages. Malaysia, however, has said it will resist seeking help from the International Monetary Fund for as long as it possibly can.

Debt-ridden companies must be allowed to fail quickly rather than reduce the efficiency of the financial system

A recognition is dawning in some quarters that some companies may have to go bust. "Those that deserve to go to the wall must not be saved," said Noordin Sopiee, chairman of the Institute of Strategic and International Studies, a leading think-tank. "But we must be caring of those businesses that should be nourished and assisted through the coming difficult years," he said.

Other aspects of the Yamaichi collapse have also found resonance in Malaysia. Yamaichi had hidden some losses from regulators in the Cayman Islands. Shelf companies in offshore havens such as the Caymans and British Virgin Islands have recently been established by Malaysian companies. One notable example is Renong, a top infrastructure company which was bailed out by its subsidiary, UEM, last week. Renong earlier this year sold 112m shares of a subsidiary to a Cayman Islands company, in what was seen as a cash-raising exercise.

Mahathir tones down his criticism of IMF

By James Kynge in Kuala Lumpur

Mahathir Mohamad, Malaysia's prime minister, yesterday softened his criticisms of the International Monetary Fund amid signs that the country's financial crisis was deepening.

Dr Mahathir said that he did not discuss asking for IMF assistance during a meeting yesterday with Michel Camdessus, the Fund's managing director, bnt neither did he dismiss the possibility of seeking support in the future.

Mr Camdessus also said assistance for Malaysia could not be ruled out.

The warmer tone prompted some observers to ask if Dr Mahathir was sounding out avenues for a possible bail-out package.

The Fund would be "very nearly the perfect authority for enforcing rules and regulations" for currency trade, he said yesterday.

The comments coincide with signs that Malaysia's financial system is starting to crack. The stock market has declined by nearly 60 per cent since its peak in February and is exacting a heavy toll on the country's brokerage industry.

Five local brokerage houses, all of them known to be in financial straits, were forbidden at the weekend from conducting all types of trade apart from selling. The government last month announced a M$500m ($143m) bail-ont fund for brokerage houses, some of which are known to have run up losses exceeding M$100m.

Dr Mahathir spelt out what would be at stake if the country was forced to request an IMF package, which it has pledged to resist for "as long as possible".

The financial liberalisation conditions the IMF imposes would mean foreign banks would eventually dominate the finances of recipient countries, he said.

But his insistence that an envisaged, bnt as yet vaguely conceived, Asian standby facility might disburse funds not tied to IMF conditions contradicted the positions of other south-east Asian nations.

Richard Hu, Singapore's finance minister, said any assistance from a standby facility would be supplementary to an IMF package and adhere strictly to IMF conditions.

Finance ministers from the nine member nations of the Association of South East Asian Nations, agreed yesterday to support a proposed standby facility. They said it would exist outside the "operational jurisdiction" of the IMF.

● Asean ministers also agreed yesterday to set up a mechanism to share economic information in the hope of being able to forestall future economic crises. The so-called surveillance unit will have its own permanent secretariat which may be located at the Asian Development Bank in Manila.

Congress presses claim to rule

By Mark Nicholson in New Delhi

India's Congress party yesterday continued to express confidence it could replace the United Front government that it unseated last week and prevent fresh elections, but it still lacked enough declared political backers to lead an alternative governing coalition.

Congress leaders last night met K.R. Narayanan, India's president, to stake the party's claim to form a fresh administration, saying they expected him to grant "two or three more days" to try to muster sufficient political allies to govern in the 544-seat parliament. "The situation is good; we are hopeful," said J.B. Patnaik, one of the party leaders.

But Congress has so far publicly lured to its cause just one small member party from the deposed 15-party United Front.

Other Congress leaders conceded that their party, which has only 140 MPs, was unlikely to construct a full parliamentary majority.

"There cannot be any clear-cut majority in the present political arrangement," said Pranah Mukherjee, a senior Congress leader. "There can at best be some kind of workable majority whereby a government can enjoy the support of the house."

The continued political paralysis helped take a further toll on the Indian rupee, which posted a further record low, reaching Rs39 to the US dollar for the first time. It closed sharply lower at Rs39.23 from Monday's opening of Rs38.60.

Officials said there was "no crisis" in the rupee's fall, which has seen a depreciation of about 10 per cent against the dollar since July. Montek Singh Ahluwalia, India's top finance ministry official, said he was "not rattled" by the currency's slide, which markets have interpreted as a managed depreciation to boost India's ailing exports.

However, the Reserve Bank of India, the country's central bank, has intervened heavily in India's thin foreign exchange markets over the past three weeks, and on Friday announced a series of measures to discourage speculative trading.

Mr Singh suggested further moves might follow after talks with Bimal Jalan, the newly installed Reserve Bank governor. "We are contemplating some steps," he said.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.6	100.1	6.9	98.4	95.8
1987	108.5	105.8	6.1	104.2	96.8
1988	113.0	110.6	5.4	104.6	100.3
1989	115.5	112.5	5.2	97.8	98.8
1990	116.2	112.3	5.5	82.7	94.7
1991	113.3	110.1	6.8	61.7	95.6
1992	117.0	113.6	7.4	61.8	104.6
1993	122.2	117.5	6.8	67.7	109.7
1994	129.2	123.4	6.0	79.0	111.5
1995	132.6	127.4	5.5	79.3	111.6
1996	137.5	130.9	5.4	77.0	117.7
4th qtr.1996	3.7	3.9	5.3	77.8	117.7
1st qtr.1997	4.4	4.5	5.3	79.9	118.8
2nd qtr.1997	2.9	4.1	4.9	77.2	121.1
3rd qtr.1997	4.7	4.8			
October 1996	4.7	3.3	5.2	75.3	117.6
November	3.2	4.0	5.3	79.9	117.3
December	3.1	4.4	5.3	77.9	117.7
January 1997	5.0	4.8	5.3	79.3	118.6
February	4.3	4.0	5.3	81.2	119.8
March	4.0	5.0	5.2	79.0	118.8
April	3.1	4.4	4.9	78.6	119.4
May	2.2	4.1	4.8	73.3	120.0
June	3.5	3.8	5.0	79.8	121.1
July	4.7	4.8	4.8	78.6	122.4
August	5.1	4.9		75.5	
Sept	4.2	5.3			

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.5	99.7	2.8	94.3	83.0
1987	113.8	103.1	2.8	108.3	90.8
1988	122.6	113.1	2.5	133.6	96.3
1989	132.6	118.7	2.2	147.0	98.1
1990	141.6	124.5	2.1	149.8	94.8
1991	144.5	126.8	2.1	144.2	91.8
1992	139.7	118.0	2.1	124.2	90.1
1993	131.7	113.8	2.5	105.8	95.2
1994	129.4	114.6	2.9	99.4	103.0
1995	128.4	118.5	3.1	103.2	107.5
1996	132.6	121.7	3.3	118.3	109.5
4th qtr.1996	3.1	4.4	3.3	123.4	109.5
1st qtr.1997	9.0	6.4	3.3	121.5	110.8
2nd qtr.1997	-4.8	6.5	3.5	120.4	110.4
3rd qtr.1997	-1.5	4.2	3.4		
October 1996	4.3	5.8	3.3	123.9	108.8
November	3.3	4.2	3.3	122.4	109.2
December	1.6	3.4	3.3	122.8	109.5
January 1997	2.2	8.1	3.3	128.6	110.0
February	1.8	5.5	3.3	117.2	110.3
March	23.0	7.8	3.2	118.4	110.8
April	-12.8	4.8	3.3	121.7	110.3
May	-3.6	7.3	3.6	121.3	110.4
June	-3.8	7.8	3.5	118.2	110.4
July	-2.2	5.0	3.4	120.6	110.7
August	-3.6	3.3	3.4	118.4	
Sept	-1.9	4.3	3.4		

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	102.2	102.2	8.4	138.9	86.3
1987	106.0	102.6	8.2	149.5	88.1
1988	109.1	106.2	8.2	165.1	92.8
1989	111.8	111.4	5.6	219.5	96.9
1990	119.7	117.2	4.8	261.8	98.7
1991	125.0	121.7	4.2	287.9	95.2
1992	122.6	120.0	7.7	287.8	89.4
1993	119.7	112.8	7.8	229.0	94.9
1994	117.5	117.5	8.4	241.2	104.4
1995	116.5	119.4	8.2	288.2	100.3
1996	117.1	119.0	9.0	274.0	104.5
4th qtr.1996	-0.8	2.3	9.2	271.8	104.5
1st qtr.1997	-0.8	4.1	9.4	273.8	106.5
2nd qtr.1997	0.8	2.0	9.8	276.5	110.9
3rd qtr.1997	-3.3	2.6	10.4		
October 1996	-1.3	2.0	9.2	272.2	104.6
November	0.0	1.4	9.2	272.1	104.1
December	-2.4	3.3	9.2	271.2	104.5
January 1997	0.7	1.7	9.4	265.4	105.1
February	-0.1	6.6	9.4	274.5	107.0
March	-2.4	3.9	9.5	281.2	106.5
April	0.8	2.9	9.5	272.0	108.8
May	2.4	0.4	9.8	276.2	109.6
June	-0.4	2.8	9.7	281.2	110.9
July	-2.8	6.4	9.7	280.3	
August	-2.1	0.8	9.8	268.7	
Sept	-5.0	0.6	11.7		

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	102.4	101.1	10.4	107.0	95.6
1987	104.5	103.1	10.5	117.2	95.5
1988	107.8	107.3	10.0	135.3	100.5
1989	108.5	111.3	9.4	160.9	100.3
1990	110.4	113.4	8.9	163.2	94.7
1991	110.2	111.4	9.4	128.2	96.0
1992	110.5	110.0	10.4	109.5	94.2
1993	110.7	105.8	11.7	90.0	97.7
1994	110.5	109.8	12.3	104.1	101.8
1995	110.6	112.3	11.6		97.2
1996	110.2	112.8	12.3		100.1
4th qtr.1996	1.2	2.0	12.5		100.1
1st qtr.1997	-1.3	1.1	12.5		100.7
2nd qtr.1997	0.9	3.3	12.5		100.2
3rd qtr.1997	1.8	4.2	12.5		
October 1996	4.4	2.1	12.5		101.0
November	0.4	1.8	12.5		100.6
December	-1.1	2.9	12.5		100.1
January 1997	-0.2	0.5	12.5		100.3
February	-3.1	1.5	12.5		100.7
March	-0.5	1.3	12.5		100.7
April	1.0	4.4	12.5		100.7
May	3.1	2.5	12.5		100.4
June	-1.5	3.1	12.8		100.2
July	2.7	4.8	12.5		101.1
August	-0.6	4.6	12.5		
Sept	3.5	3.5	12.5		

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1986	106.8	104.1	9.2	94.8
1987	112.1	106.8	9.8	96.2
1988	107.9	114.2	10.0	100.6
1989	115.8	118.7	10.0	98.8
1990	114.4	119.0	9.1	95.5
1991	110.9	118.9	8.8	97.7
1992	116.9	118.4	9.0	94.8
1993	114.1	116.0	10.3	101.8
1994	107.4	119.9	11.4	103.3
1995	102.1	127.3	11.8	102.0
1996		123.7	12.1	100.8
4th qtr.1996		-5.5	12.0	103.7
1st qtr.1997		-0.5	12.2	104.7
2nd qtr.1997		2.2	12.5	107.1
3rd qtr.1997		3.0		
October 1996		-2.8	n.a.	102.3
November		-2.2	n.a.	102.8
December		-11.0	n.a.	103.7
January 1997		-1.8	n.a.	104.7
February		1.1	n.a.	104.8
March		-0.7	n.a.	104.7
April		3.5	n.a.	106.2
May		0.1	n.a.	105.8
June		2.7	n.a.	107.1
July		3.8	n.a.	
August		2.7	n.a.	
Sept		2.7	n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.3	102.5	11.2	118.1	94.1
1987	110.8	106.5	10.3	141.1	98.4
1988	117.8	111.7	8.6	144.0	98.2
1989	120.1	114.0	7.2	124.3	96.5
1990	121.1	113.7	6.8	97.7	94.6
1991	119.4	109.8	8.8	68.5	95.7
1992	120.4	110.2	10.1	69.6	98.8
1993	122.9	112.6	10.4	77.1	104.6
1994	128.5	118.7	9.5	93.7	106.5
1995	129.8	121.2	8.7	107.5	105.1
1996	133.7	122.8	8.2	131.9	108.6
4th qtr.1996	3.8	1.5	7.9	153.8	107.8
1st qtr.1997	4.7	1.3	7.5	157.3	108.3
2nd qtr.1997	5.4	1.8	7.3	161.5	108.6
3rd qtr.1997	5.2	2.2	7.0		
October 1996	4.3	1.4	8.1	151.9	107.6
November	4.3	1.5	7.8	155.4	107.9
December	3.0	1.8	7.8	154.0	107.8
January 1997	4.8	2.1	7.8	153.3	107.7
February	4.5	1.4	7.5	158.2	107.9
March	4.7	0.4	7.4	160.4	108.2
April	4.8	2.3	7.3	160.0	108.4
May	5.6	-0.1	7.4	159.8	108.3
June	5.6	2.5	7.2	164.8	108.8
July	8.4	2.7	7.2	166.1	108.9
August	5.4	2.4	6.9	170.1	109.2
Sept	3.8	1.6	6.8		

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in individual countries. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US - help-wanted advertising. Japan - new vacancies. Germany and France - all jobs vacant, Italy - no jobs vacant, UK - unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Purchasing managers are showing concern about the possible impact of Asia turmoil

US industry shows sign of slowdown

By Gerard Baker in Washington

The pace of manufacturing activity growth in the US slowed last month, though the economy maintained its upward momentum, according to a survey of the nation's purchasing managers published yesterday.

The National Association of Purchasing Management (NAPM) reported that its main index of manufacturing activity dropped last month, following a sharp increase in October. But the index figure of 54.4 per cent continued to suggest manufacturing was still growing at a robust pace.

"The overall picture in November as indicated by growth in production and new orders is one of continued growth in manufacturing activity," said Norbert Ore, chairman of the NAPM's Business Survey Committee.

A growing number of managers reported concern about prospects for business in the wake of the Asian economic crisis of the last few months, but the figures indicate it is still too early to tell whether the Asian turmoil has seriously affected the US economy.

Some economists believe the sharp contraction in demand in Asia and the appreciation of the dollar against most Asian currencies could knock as much as 0.75 percentage points off US growth next year and tip the economy dangerously close to a deflationary recession.

Others argue any US slowdown will essentially be a benign one, since the economy has been growing well above what is generally regarded as a rate consistent with stable inflation.

Though inflation has not yet taken off, the average output growth rate of 4 per cent over the last year seemed certain to produce an intensification of price pressures if it was sustained through 1998. An Asian-related deceleration in growth could prove to be salutary.

Support for this view was indicated by the NAPM's survey of prices paid by purchasing managers. The index had been one of the few indicators to report a steady rise in prices throughout this year but last month there was a sharp drop in the number of managers reporting price increases.

In a separate report, the Commerce Department said construction spending rose by a seasonally adjusted 0.1 per cent in October.

It also revised September's figure from an earlier reported 1.1 per cent decline to an increase of 0.4 per cent.

Residential spending and public building expenditure both rose strongly in October, more than offsetting a sharp fall in non-residential construction.

Bid to fight off internet rules

By Louise Kehoe in San Francisco

US technology and media industry leaders, aiming to fend off new internet content regulations, yesterday launched a series of measures to protect children from sexually explicit material in cyberspace.

America Online, the largest online service with some 10m subscribers, introduced improved "parental control" features and an extensive online "Neighbourhood Watch" campaign to educate users on internet security.

Walt Disney also introduced an internet search service to include only web sites screened by the company. A national "cybertip" hotline for reporting online crime was also launched. The phone service will direct complaints about online crimes involving children to law enforcement authorities.

These and other initiatives were announced at a three-day "summit", starting yesterday, of industry executives and public policy groups in Washington. The event was organised following the US Supreme Court decision in June, to strike down provisions of the Communications Decency Act that would have made it a crime to transmit "indecent" material to minors via computer online services.

With revised bills aimed at controls on internet content now pending in Congress, online services and publishers are under pressure to address the issue if they are to avoid rules such as those imposed on television.

Snch laws could require internet service providers to ensure children cannot access thousands of "adult" web sites and online discussion gronps. This would hamper the growth of the medium, industry executives argue.

The effectiveness of "parental control" technologies was thrown into question by the results of a survey, published yesterday by FamilyPC magazine. Among parents of young internet users only 26 per cent said they used parental control features currently offered by online services; only 4 per cent installed extra parental filtering programs.

Industry efforts to improve filtering technology did not satisfy conservative groups favouring laws to ban transmission of adult materials to minors. Cathy Cleaver, director of legal policy at the Family Research Council, said the summit's participants had aimed to "convince families the internet is safe. In my view, that's untrue."

Michael Jordan (above), the US basketball player, has ousted former boxing champion Mike Tyson as the world's highest paid sports star after earning about $78.3m this year, according to Forbes, the business magazine

Flores triumphs in Honduras

By Edward Hegstrom in Tegucigalpa

Liberal party candidate Carlos Flores has won a resounding victory in the Honduras presidential election, in a contest marred by last minute voter-registration problems.

Mr Flores, the victor by well over 100,000 votes, promised to bring change from the administration of outgoing Liberal President Carlos Roberto Reina.

"We have our own style, and want to imprint the government with our own brand of liberalism and our own team," he declared.

Incomplete polling results showed Mr Flores with 53 per cent of the vote in Sunday's five-way election. Nora de Melgar of the National party, the other traditionally strong political gronping, took 42 per cent.

Early results show the Liberals as the strongest party in Congress, thongh they seem to have lost a clear majority. Bnt a National party candidate easily won the mayoral election in Tegucigalpa.

The election marked the first time Hondurans voted separately for the president, Congress and mayor. In the past, voters were forced to choose one party to run all levels of government.

In an election that featured little debate on issues of substance, Mr Flores, a 47-year-old businessman and engineer, won support by portraying himself as more competent than Ms de Melgar, an elementary schoolteacher.

Mr Flores, who has promised to reduce the government deficit, won widespread support from the bnsiness commnntty because of the perception that he wonid maintain tight control on spending. But in the final hours of the campaign he surprised some observers by becoming increasingly critical of economic austerity programmes.

Hondnras has agreed these with the International Monetary Fund and the World Bank, to safeguard payment of the country's $4bn foreign debt.

But Mr Flores warned that the economic adjustment programmes had forced the government to curtail social spending that could help bridge the gap between rich and poor.

He was careful not to say he planned to break off the agreements formed by the previous administration, bnt repeatedly noted that he intended to manage the Honduran economy responsibly.

NEWS DIGEST

Ecuador votes for reform

Traditional political groupings led by the Social Christian Party (PSC) will dominate a national assembly elected by Ecuadoreans on Sunday to reform the constitution, according to unofficial exit polls and opinion polls.

The rightwing PSC is expected to ally with the government Liberal party-Radical Alfarist Front (PL-FRA) and the centrist Popular Democracy party in the assembly when it meets on December 20.

The outcome ends concern that the assembly might dissolve Congress or curtail President Fabian Alarcon's term, due to end in August next year.

"People voted to make the country function," said the PSC leader, Jaime Nebot.

Simon Pachano, political analyst at the Flacso research institute in Quito, predicted that there would "not be a very deep reform but one which will emphasise limiting the participation of the state in the economy, strengthening the presidency and limiting Congress".

Justine Newsome, Quito

■ BUENOS AIRES

Mayor's political hopes grow

Fernando de la Rúa, mayor of Buenos Aires, is this week set to secure leadership of Argentina's Radical party, boosting his hopes of becoming the opposition's presidential candidate in 1999. Mr de la Rúa, the city's first elected mayor, is expected to be acclaimed head of the centrist party at a congress on Friday. He is the sole candidate to replace the outgoing party president, Rodolfo Terragno.

Leadership of Argentina's oldest party would give a powerful platform from which to launch a presidential bid. The Radicals, who held the presidency from 1983 to 1989 after the return of democracy, remain a strong force in national and provincial politics. But their traditional backing from the middle classes has declined.

The Radicals and the centre-left Frepaso party formed a common front in the capital and many provinces to fight October's mid-term elections. The combined force, called the Alliance, overturned the ruling Peronist party's absolute majority in Congress.

Ken Warn, Buenos Aires

■ DEFENCE

'New threats' facing US

The US armed forces must work faster to abandon their cold-war posture and prepare themselves for new, non-conventional threats, a prestigious group of defence experts said yesterday.

The National Defence Panel, a committee mandated by Congress to look at US security needs in the next century, said future adversaries would search for US vulnerabilities in unsuspected places – anywhere from the upper atmosphere to the American heartland. The panel recommended earmarking $5bn-$10bn to develop new defence techniques in areas such as counter-intelligence, space, urban warfare and information warfare.

Military experts said the panel's findings would give William Cohen, the defence secretary, fresh political ammunition as he tried to promote the idea of rapid military reform while battling deeply entrenched interests.

Bruce Clark, Washington

J.P. Morgan investigates charges that pair tried to manipulate FTSE 100 index on Friday

US bank suspends two equity traders

By George Graham, Banking Editor

J.P. Morgan, the US investment bank, yesterday suspended two London equity traders while it investigated charges that they had tried to manipulate the FTSE 100 index in late trading on Friday.

Fund managers have been bombarding the London Stock Exchange with complaints after a series of dealings pushed the FTSE 100 index down by 35 points in the last two minutes of trading.

The drop is alleged to have been caused in part by the two Morgan traders, who were managing a big FTSE 100 over-the-counter option position. In hedging their position, they are said to have sold the corresponding basket of shares at a time when many funds had pulled their orders from the exchange's electronic order book.

The order mopped up orders left on the system in stocks such as Glaxo Wellcome and SmithKline Beecham at prices a long way below the previous traded price.

Morgan investigated the trade over the weekend and said it had suspended the two on Monday "during the course of an internal investigation into potential violations of London Stock Exchange and the Securities and Futures Authority rules".

The exchange said its market supervision officials were talking to member firms which had dealt in the last minutes of trading on Friday and could say nothing further while it was investigating.

The two traders have not been named.

While there is no reason why traders should not take advantage of orders placed on the electronic order book, it is necessary to prove that they did so with the deliberate intent of pushing the index down for it to be regarded as a breach of exchange rules.

The sharp movement in the index on Friday caused particular trouble for some investment funds because it came on the last day of the month. The official stock exchange closing price is the price at which the last trade is executed each day, so the move will feed into pension funds' portfolio valuations for the end of November.

Several leading fund managers yesterday warned that the stock exchange needed to take action to clear up the functioning of the market in its opening and closing minutes. Few orders are being placed at these times, making prices extremely volatile.

Clive Williams, chief dealer at LGT Asset Management, said that without improvements to the system "it's going to be a shambles at the year end".

Alan Line, chief dealer at Foreign & Colonial, also said the exchange needed to sort out the problems with the new electronic order book.

"The opening and the closing are a bit of a problem, but I think the system is OK.

"There are things they need to sort out before we come to the end of the year, otherwise we are going to have problems with valuations."

Farmers seize Irish beef in imports protest

By Juliette Jowit in Cardiff and Alison Maitland in London

Boxes of Irish burgers dumped in the sea by Welsh farmers surround a pilot boat

Gareth Jones

Farmers yesterday besieged the port of Holyhead at the north-western tip of Wales and threw 40 tonnes of beefburgers into the sea in protest at cheap imports from the Republic of Ireland and falling incomes. The farmers blockaded the quay with vehicles and seized the burgers from a stranded truck from Ireland.

Jack Cunningham, UK agriculture minister, condemned the violence, saying it would be more difficult for the government to negotiate an end to the beef export ban with other European Union member states.

He said the government had provided £450m ($751.5m) in direct support to beef farmers this year and spent more than £1bn dealing with the consequences of the BSE crisis.

Michael Jack, a farming spokesman for the Conservative party, the largest UK opposition party, said the protest was a "clear reflection of the growing frustration . . . at a Labour government that shows a couldn't-care-less attitude to farmers."

The farmers' anger erupted after a meeting of the traditionally militant Farmers' Union of Wales on Sunday evening. In an unplanned move, members marched to Holyhead dock to meet two Irish ferries carrying consignments of beef.

Many farmers were unrepentant yesterday and promised to carry on their protests unless the government took action. The violence was condemned by the larger National Farmers' Union of England and Wales as the wrong way to achieve government help.

● Farmers' leaders urged the government yesterday to provide nearly £1bn in compensation for the impact of the strong pound after agriculture ministry figures forecast a 37 per cent plunge in farm incomes this year.

The National Farmers' Union of England and Wales predicted the drop would be 47 per cent after deducting the cost of family labour and that incomes would fall further next year. Its figures are backed by accountancy firm Deloitte & Touche, which estimated this year's drop in incomes in England at 46 per cent.

Sir David Naish, NFU president, said £980m was available in compensation, half from the EU and half from the UK government.

He said it was a "miscarriage of justice" that the government refused to apply for compensation for sterling's 30 per cent rise against the D-Mark and the French franc since summer 1996, while competitors in Ireland were compensated.

Sterling pressure, Page 10

Ex-Brussels chief to lead vote reform committee

By John Kampfner and George Parker

Lord Jenkins, a former president of the European Commission, is to head a committee which will propose within a year a "broadly proportional" voting system for parliamentary elections as an alternative to the current first-past-the-post method.

The opposition Liberal Democrat party yesterday hailed the creation of a commission on electoral reform as "a truly historic moment in British democratic history".

Officials said a referendum would offer a choice between the status quo and a new system during this parliament, although any change is unlikely to take effect before the next election.

While the Liberal Democrats were delighted at moving a step closer to their dream of proportional representation, ministers were more downbeat about the significance of the review. The official spokesman for Tony Blair, the prime minister, said he remained "unpersuaded" of the merits of PR and made clear he was not bound by the commission's conclusions.

Paddy Ashdown, the Liberal Democrat leader, was pleased with the confirmation of the choice of Lord Jenkins, a former Labour cabinet minister who is now leader of the Liberal Democrats in the House of Lords, the unelected upper house of parliament.

"The country is now presented with the best opportunity in 70 years to see fair votes for elections to Westminster," he said. Senior Liberal Democrats hope Mr Blair will find it hard to disagree with the advice of Lord Jenkins, who has acted as a mentor to the new prime minister.

The commission's terms of reference bore the hallmarks of protracted haggling. It is being asked to "consider and recommend any appropriate system, or combination of systems" to be put to a referendum. "The commission shall observe the requirement for broad proportionality, the need for stable government, an extension of voter choice and the maintenance of a link between MPs and geographical constituencies," the remit says.

Cabinet opponents of radical reform said the wording all but ruled out list systems such as the single transferable vote – the model cited as the purest form of PR. They also said the emphasis on "stable government" made clear Mr Blair did not want a system that gave "disproportionate influence to small parties".

UK NEWS DIGEST

Ministers admit IT skills deficit

The government yesterday admitted to "serious skill shortages" in information technology as it helped launch a new training initiative with the IT industry. Kim Howells, an education minister, said the UK's IT training was "way behind" what the country needed. The shortages had been highlighted by issues such as the millennium computer bomb – the problem of older computer systems being unable to cope with the date change at the turn of the century – and the prospect of European Monetary Union.

Mr Howells was speaking at the launch of the National Training Organisation for Information Technology (ITNTO) yesterday at the London headquarters of IBM. The new organisation, which has been chosen by the government to develop IT training initiatives, succeeds the former industry body, the IT Industry Training Organisation.

Alan Stevens – chief executive of the UK arm of EDS, the US computer services group, and chairman of the ITNTO – said the success of the new organisation would be dependent on the support of industry. "This is a members' body and will only succeed with the financial support of IT companies." *Christopher Price*

■ BALLET AND OPERA

Merger plan appears less likely

A merger of the English National Opera, the Royal Opera and the Royal Ballet looked less likely yesterday as Chris Smith, the culture secretary, said he had no pre-conceived solutions to the problems of London opera. Last month Mr Smith asked Sir Richard Eyre, former director of the National Theatre, to chair a committee which would examine a proposal for ENO to leave its home at the Coliseum and share the Royal Opera House in Covent Garden when it reopened in 1999 after a £214m ($357m) refurbishment. The board at Covent Garden is awaiting publication tomorrow of the report on it by the House of Commons committee on culture. It is expected to criticise the Royal Opera, which has debts of £4.5m. *Antony Thorncroft*

■ HEALTH INQUIRY

Another death reported from CJD

Another person has died from the new variant of Creutzfeldt-Jakob disease – related to so-called "mad cow disease" – the health department said yesterday. Monthly figures show 22 deaths to October 31 and one patient still alive.

At the same time, Sam Galbraith, health minister, said his department would soon complete an inquiry into how three patients were given corneal transplants from a donor who had been suffering from CJD. The donor died of lung cancer and doctors only discovered CJD in an autopsy after her eyes had been removed and used for transplantation. But Mr Galbraith said surgeons could afford the time to wait for autopsy results before carrying out corneal transplants. *Clive Cookson*

■ HIGHER EDUCATION

More cash urged for universities

The government must spend an extra £110m ($183.7m) a year to prop up the research infrastructure in Britain's universities, Sir Aaron Klug, president of the Royal Society, warned last night. He said more money was needed immediately to address the problem of infrastructure funding identified by the recent Dearing report on higher education. *Clive Cookson*

■ BRITISH TELECOMMUNICATIONS

Drop in market share predicted

British Telecommunications' share of the UK market will fall to about half from the present two-thirds by 2000, Mr Don Cruickshank, the industry watchdog, told a Financial Times conference in London yesterday. He predicted that BT's share of local calls would be less than 70 per cent, its share of national calls 50 per cent and its share of international calls about 40 per cent. Mr Cruickshank's statement implies a higher rate of loss of market share for the UK's dominant operator than has been the case. He attributed the change to competition and new technology. There were more than 50 big companies in the UK, while retail prices had fallen by more than 50 per cent in real terms since BT was privatised. Mr Cruickshank said most subscribers would have a choice of three operators while the choice for business would be even greater. *Alan Cane*

■ FLIGHT TO NEW YORK

Jet returns after engine warning

A British Airways jet heading for New York with 221 passengers was forced to return to Manchester airport in northern England yesterday after an engine warning light came on in the cockpit. The Boeing 767 landed safely three hours after take-off after the crew had circled the Irish Sea burning off fuel. "There was no problem with the engines but the crew thought it best to return to Manchester," BA said.

Directors face tougher contracts

By Christopher Brown-Humes in London

The Personal Investment Authority, the watchdog for the private investor, is accelerating plans to introduce individual contracts for directors of big companies.

The move is in response to Treasury pressure for early moves against individuals of firms which are not moving quickly enough to clear up their pensions mis-selling cases. The new system will allow the PIA to reprimand, fine or expel individuals in addition to disciplining the firms themselves.

Contracts with directors of life offices, banks, bigger mutual assurance societies, independent financial adviser networks and IFA firms with more than 26 advisers, are expected to come into force on May 18 1998. These are responsible for 95 per cent of pensions mis-selling cases.

Contracts with most of the rest of the industry are due next October. About 80,000 people would be covered, including 21,000 individual financial advisers and 56,000 salesmen and tied agents. Individuals would not be able to work as a principal, manager or adviser of a PIA-regulated firm unless they have a contract with PIA.

Helen Liddell, economic secretary to the Treasury, said recently that directors of firms involved in the mis-selling review faced fines or expulsion if they did not maintain adequate progress.

The PIA said: "The industry is not riddled with cowboys but there are certain people who have a lot to fear from individual registration."

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Canadian general points to two options for handover of arms after secret consultations with security forces

N Ireland report omits weapons timetable

By Jimmy Burns in London

The first detailed report on the decommissioning of weapons in Northern Ireland, due to be discussed today at the multi-party talks on the future of the region, excludes any specific timetable on a handover.

Instead, the 14-page report by retired Canadian general John de Chastelain provides a "road map" on how arms might be decommissioned – mainly by the Irish Republican Army – on the assumption that a political settlement will eventually be reached.

"We want a mechanism ready for when we get an offer to decommission from the people who have the guns; at present we haven't got that offer," Gen de Chastelain said last night.

The UK government has said it wants a settlement by May. But the peace process was under renewed pressure last night with David Trimble – leader of the Ulster Unionists, the biggest pro-British party in the region – threatening to quit further dialogue with the government of the Republic of Ireland in protest at its call for a cross-border authority.

At today's session, party leaders will be asked by the talks chairman, former US senator George Mitchell, to clarify which elements of a political settlement they are prepared to accept and which require further attention.

Some government officials believe the public airing of the report could test the extent to which parties are prepared to compromise for the sake of a settlement. "We are getting to crunch time. We need to know who is prepared to move on towards a settlement," one Irish Republic official said last night.

The report has the approval of the UK and Irish governments and follows secret consultations involving Gen de Chastelain, the security forces and paramilitary representatives.

The de Chastelain report cites two ways of decommissioning, both voluntary, as the most likely to be acceptable to the IRA.

One would involve the IRA alerting the authorities to the location of munitions and arms dumps. The other would mean they destroyed their weapons in the presence of independent observers.

In effect, both options would exclude direct contact between the IRA and the security services and any implicit military surrender in the handover of the weapons.

Although the report contains a recommendation that paramilitaries should make a gesture on arms while talks are under way, it falls short of the wish of the UUP that the process should be unilaterally implemented while talks continue. General de Chastelain said last night: "I think among the political parties engaged in talks there is a will in favour of decommissioning, but there are differences over timing... Among some paramilitaries there is [at present] no will at all."

London pleads for big rise in rail cash

By George Parker, Political Correspondent

John Prescott, deputy prime minister and chief transport minister, was urged yesterday by London business leaders to inject at least £135m ($225m) into the Underground railway next year, to prevent services worsening.

London First, a business lobby group, is calling on Mr Prescott to consider introducing road pricing and a levy on parking to help fund the investment.

The appeal was signed by Lord Sheppard, chairman of London First and former chairman of Grand Metropolitan; Sir Colin Marshall, chairman of British Airways and president of the Confederation of British Industry – the biggest employers' lobby; Sir Brian Jenkins, chairman of the London chamber of commerce and the Woolwich building society; Michael Frye, chairman of the London region of the CBI and Richard Nichols, Lord Mayor of London.

They argue that the Underground needs annual investment of at least £350m to keep it in its "current, unacceptable state". They say that the government's projected investment figure of £215m will mean more delays and more overcrowding.

● Privatised railway companies on the national network were criticised yesterday for putting profits before safety, in the Health & Safety Executive's annual report into rail safety. Some operators are misinterpreting HSE risk assessments to argue that either no action is needed to improve safety or, even, as a justification for reducing existing safety levels, according to the report. "I expect operators to go that extra step in the pursuit of safety rather than stop as soon as the figures indicate that they appear to be justified in doing so," said Stan Robertson, HSE chief inspector of railways.

Strong sterling exerts pressure on suppliers

The gas controls division of Concentric, an engineering company based in Birmingham, England's second-largest city, recently called in its main suppliers and gave them two weeks to cut prices by up to 10 per cent. It warned that failure to do this would result in orders lost to more compliant companies, perhaps outside the UK.

The meeting indicates the pressures on manufacturers to cut prices to cope with the 23 per cent rise in sterling since August last year. The strengthening has eaten into order books, mainly through reducing the competitiveness of UK exports and making it easier for overseas companies to export to Britain.

Last month British Steel warned it was cutting 2,000 jobs this financial year to combat falling profits linked to sterling's strength. It also said it was discussing a range of cost cutting initiatives with its several thousand UK suppliers.

But it is often smaller suppliers which have most to lose. A small UK-based supply company largely dependent on local customers may have few bargaining chips when one of them cites currency pressures when demanding price reductions.

In the case of Concentric, the suppliers' meeting was dominated by the need for companies to reduce prices to help the bigger group stabilise its business.

One option for Concentric was to substitute UK-made components with parts from overseas, which have become substantially cheaper because of the pound's rise. "There was quite a lot of talk about co-operation," said one supplier. "But underneath this there was a tough approach that said if you don't cut your prices, you may be out."

JCB, the construction equipment maker, recently held a similar suppliers' gathering where the same points were made. Other big UK-based companies which are investigating substituting cheaper imports for UK-made parts include Komatsu and Oki of Japan, which make excavators and printers respectively, and Terex, the US-owned heavy truck maker which has a big factory in central Scotland.

Pat Moore, managing director of Prestwick Circuits, Britain's biggest maker of printed circuit boards for the electronics industry, said the strong pound was adding to the pressures causing supply to be switched to lower-cost countries. "We are letting some UK orders go because we are not prepared to see prices pushed down to such low levels," said Mr Moore.

One engineering company in the English Midlands said it had just lost a big order from a UK company to Taiwan, largely thanks to the pound. Simon Schlaefli, managing director of Tenable Screw, a London-based maker of metal components for the electrical industries, said: "Profit margins are under pressure as a result of increased imports from Germany, France and Switzerland."

But it would be wrong to think the high pound was making life impossible for the average UK subcontractor. Tom Dignall, managing director of Brownridge Plastics in north-east England, said the currency change had been generally positive because it had reduced the prices of many plastics, which are either imported or priced in D-Marks.

Other subcontractors say that strong growth in some parts of manufacturing – plus the trend to outsourcing which has seen many companies increase their dependence on outside suppliers – have protected them. Duncan Preston, managing director of Blagg & Johnson in the English Midlands – which makes metal fabrications for the rail industry – said his company was so busy it was working a Sunday shift.

Peter Marsh

Currencies, Page 27

US-owned Terex is looking at cheaper, imported, parts

Consumer credit

Net change, seasonally adjusted (£bn)

Source: Datastream/ICV

'Evidence' of supply bottlenecks

Manufacturers report that suppliers' delivery times lengthened more last month than at any time since June 1995, says the latest monthly survey from the Chartered Institute of Purchasing and Supply, Robert Chote writes. This provides "further evidence of the emergence of supply bottlenecks in the manufacturing sector". The evidence of continued resilience to sterling's strength emerged as the Bank of England, the UK central bank, published figures showing that the amount of cash circulating around the economy is growing. Consumer borrowing rebounded as expected last month, following the decline which coincided with the death of Diana, Princess of Wales. Consumer borrowing rose by a net £901m ($1,504m), up from the £762m increase in September. Economists expect the Bank's monetary policy committee to leave interest rates at 7.25 per cent at its meeting on Thursday.

Banks protest at burden of central funding

By George Graham, Banking Editor

Large UK banks are complaining that they are being asked to pay too large a share of the costs of the Bank of England – the UK central bank – and of the new Financial Services Authority. The Treasury and the authority, the new integrated regulator for the City of London, have proposed changes to the current system, but some leading bankers are calling for a more radical overhaul.

"I think the funding system at the moment is unjust and I fear that it will become more so," Tony Davies, director of risk management at Lloyds TSB, told a conference organised by the British Bankers' Association.

The Bank of England is funded largely by the interest it earns on interest-free deposits which banks must leave with it in proportion to their sterling deposit base.

With the transfer of banking supervision from the Bank to the FSA, these "cash ratio deposits" have had to be reviewed. Banking supervision is estimated to cost about £50m ($83.5m) a year, and a Treasury paper published last week proposed to reduce the level of cash ratio deposits by roughly this amount.

No figure was put forward, but bankers hope the rate will drop from today's 0.35 per cent of eligible liabilities – the formula base made up largely of sterling deposits – to, at most, 0.2 per cent.

The FSA, meanwhile, has issued its own proposals, which would use a similar formula to calculate eligible liabilities but charge a fee on this base rather than demanding an interest-free deposit. The FSA proposals would shift some of the burden away from the largest UK banks by adding foreign currency deposits to the formula and introducing a flat minimum fee of £10,000.

The bulk of the sterling deposits counted in the formula are held by a handful of large clearing banks, leaving them with the burden of paying for all the others.

The Treasury paper, which proposes levying cash ratio deposits for the first time from building societies [mutually-owned home loans and savings institutions] as well as banks, reveals that 14 of the UK's 536 banks and building societies account for £502bn from the total of £827bn of eligible deposits.

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CONTRACTS & TENDERS

The following Conversion Resolution was put at a General Meeting of the Australian Mutual Provident Society held on 20 November, 1997:

THAT:

(a) The status of Australian Mutual Provident Society ("AMP") be changed to a company limited by shares;

(b) The Share Allocation Rules set out on pages 164-167 of the Explanatory Memorandum dated 10 September 1997, a copy of which has been tabled at the meeting and for the purpose of identification initialled by the Chairman of the meeting ("Explanatory Memorandum"), be approved; and

(c) (i) The payment by AMP of the dividend described on page 44 of the Explanatory Memorandum ("Dividend"), and the transfer by AMP of the assets described on page 44 of the Explanatory Memorandum ("Assets"), be approved; and

(ii) To the extent that either;

(A) The payment by AMP of the Dividend; or

(B) The transfer by AMP of the Assets constitutes the giving of financial assistance by AMP for the purpose of, or in connection with, one or more of the following acquisitions;

(C) The acquisition by AMP Financial Services Holdings Limited of shares in AMP; or

(D) The acquisition by AMP Holdings Limited of shares in AMP Financial Services Holdings Limited; or

(E) The acquisition by AMP Group Holdings Limited of shares in AMP Holdings Limited; or

(F) The acquisition by AMP Limited of shares in AMP Group Holdings Limited; or

(G) The acquisition by the Members of AMP of shares in AMP Limited,

AMP be authorised to give any such financial assistance in accordance with section 129 (10) of the Companies (New South Wales) Code and section 4 (1) of the Australian Mutual Provident Society ACT 1988 (NSW)

The Returning Officer has announced the result of the vote on the Conversion Resolution to be:

	Number of Votes	% of Votes
'Yes' votes	10,523,072	98.3
'No' votes	181,145	1.7
Total valid votes cast	10,704,217	100.00

The Resolution was carried as a Special Resolution.
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Two top US universities are to test a Vietnamese construction worker's herbal addiction treatment, says **Khozem Merchant**

Vietnam herbs for heroin cure

A Vietnamese herbal-based treatmeot for heroin addictioo is ahout to have its efficacy rigorously tested. Its advocates' claims that it ends dependency on the drug within five days are going to be investigated in the US.

Heantos, which comprises 13 natural products grown in Vietnam, was invented by a Hanoi construction worker who says he was determined to find a cure for an addiction that has hrought great hardship on his family.

His discovery has excited the government in Vietnam and the United Nations Development Programme, which is iovesting $400,000 (£240,000) as seed capital to fund tests at Johns Hopkins University in Baltimore and Virginia Commonwealth University. The Vietnamese government is contributing $100,000.

The UNDP describes Heantos as an "interesting idea that deserves encouragement". That may now come from Johns Hopkins, which has agreed to conduct experiments on Heantos and establish a protocol designed to meet international standards.

The Baltimore university's participation is seen as a coup for the government in Hanoi in its determination to win global recognition for Heantos as a prelude to commercial exploitation.

Scientists from Vietnam have presented their research to the US Congress and the Food and Drug Administration, the regulatory authority whose approval remains the ultimate target. This is the first time US and Vietnamese scientists have co-operated on such a venture. Since 1991, the Vietnamese government says, 4,000 heroin, opium and cocaine addicts have been successfully treated with Heantos, from the Greek meaning "plant".

Hua Toan, director of Hanoi's Institute of Chemistry, which has been leading the tests, says: "Heantos is a triumph for traditional medicines. It is a good medication and we are hopeful [for its use] in Vietnam – and elsewhere."

The main operational tests, which will begin in the US and Vietnam in 1998, could cost between $3m and $4m over three years, which the UNDP says could be raised from other bilateral donors or possibly from the private sector.

Yet there are serious doubts within the international scientific community. Scieotists are privately sceptical of the claims but agree that any drug which offers some hope in curing heroin addiction should be investigated.

The UNDP's venture capital role and the participation of Johns Hopkins represents a step forward. Few Asian herbal-based treatments for drug addiction have been exposed to the scrutiny of the FDA.

The UNDP mission in Hanoi does not dispute the widespread doubts. It admits that much of the evidence supporting the Vietnamese government's claims is anecdotal and that without internationally recognised clinical testing, commercial exploitation of Heantos – and the global applause – may prove elusive.

Inventor with a mission: Tran Khoung Dan became an addict "to experience fully the sensations" as he sought a remedy

An internal paper from the World Health Organisation reflects these concerns. It states that "no controlled clinical trials [were] ever conducted; no control human studies were conducted; no animal safety data is available; and efficacy [was] based on clinical experience and anecdotal reports of individual cases."

Edouard Wattez, head of the UNDP mission in Hanoi, says risks must be taken in the battle against drugs, which in the US alone gives rise to indirect and direct costs of $70bn to $80bn annually. "If the UNDP does not take the risk, who will?".

Heantos's advocates say it is a detoxification treatment to and dependency, unlike western medicines such as Methadone which are a drug substitute. Roy Morey, director of UNDP in Washington and a former UNDP head of mission in Hanoi, told a congressional testimony in June that "initial tests had demonstrated that Heantos is effective against recidivism". He said the cost per patient was $70, cheap compared with western treatment.

Heantos's exact ingredients remain a secret known only to a select few led hy its ioventor, Tran Khoung Dan.

He sold his home and spent a decade travelling to Thanh Hoa Province in the Vietnamese uplands, where opium is grown and where he became an addict "to experience fully the sensations". He says many opium growers are addicts and have developed substitutes for use during poor harvests.

"In Asia we have a philosophy of traditional medicioes," says Mr Dan, whose family has practised traditional medicine for several generations.

He developed Heantos initially as a syrup; it is now available in capsule form. Heantos is applied in two stages. First to help abandon drug intake within a week and second, after a month, to prevent a resumption of drug use.

Patients are treated at a clinic in Hanoi – a room with three beds, fully exposed to the road and with little privacy – which opened in February. Typical is Nguyen Van Son, 37, an addict for two years, who was treated 12 months ago and is now recovered. He says three powerful forces – the clinic, his mother and his own determination – coalesced around the new drug and ensured his successful treatment. "My family and I were surprised. We thought it would just lead to a reduction in doseage [of heroin consumption]," says Mr Son, who has resumed work at the family's scrap-iron business.

"I tried other treatments but I suffered side-effects. I tried Heantos a year ago and have not suffered a relapse."

'Time machine' closes HIV window

A blood test promises earlier detection of infection, writes **Judy Dempsey**

In the bright new conference room at Shiloov laboratories, in the grounds of the Kiryat Weizmann Science Park near Tel Aviv, lies a small tray of tubes, each containing one 1ml of blood in a mixture of natural substances. They may provide vital help in the earlier detection of infection by HIV, the virus that causes Aids.

Although the disease has faded from the headlines a little, World Aids Day yesterday was a reminder that it is nevertheless spreading at a significant rate. Tamar Jehuda-Cohen, founder of Shiloov Medical Technologies, believes her HIV ShiloovTube will cut down on the period of uncertainty between contact with HIV and confirmation of whether infection has taken place.

Dr Jehuda-Cohen, an immunologist by training, has been trying for years to discover how to speed up the development of antibodies as they are crucial for the detection of viruses, especially the HIV virus.

Current HIV diagnostic tests detect antibodies in blood samples. But it takes weeks, often months, for the body to produce antibodies to fight off the virus. Generally, there is a one-to-six month "window period" between exposure to HIV and the formation of antibodies. "This window period presents a threat to the safety of blood supplies," says Dr Jehuda-Cohen. "It also means that the individual cannot receive early treatment because the first test would appear as negative."

For years, Dr Jehuda-Cohen grappled with the problem, using monkeys as the basis of her experiments. "We had infected monkeys with HIV but the testing for the virus proved negative. I wanted to find out why, after they had been infected, they were not making antibodies."

Dr Jehuda-Cohen began manipulating the immune system, looking particularly at the white cells, crucial for building antibodies. "I developed a method to push the creation of antibodies which could be detected even if tests had first shown up as negative." She describes her HIV ShiloovTube as "a kind of time machine. It speeds up the natural immune processes days after a person has become infected."

Studies conducted at the Mexican Central Reference Laboratory for HIV used diagnostic kits alongside the ShiloovTube: 200 blood samples were donated by a high-risk population and tested twice – once using the conventional

Antibody detectives: production plant at Shiloov Medical Technologies

diagnostic test and once using the same test kit after pre-treatment with the ShiloovTube. Some 20 samples tested positive for HIV when used with the test kit alone, but 25 samples tested positive when used in conjunction with the ShiloovTube. Tests in Kenya and Israel using the ShiloovTube also identified positive cases that might otherwise have shown negative.

The ShiloovTube pre-treats blood samples, accelerating the antibody response to viral exposure which makes detection possible. "But the HIV ShiloovTube is not a diagnostic product itself." Blood drawn from the donor is collected in the ShiloovTube, which is filled with a proprietary solution that stimulates the blood's immune response. The sample is kept in the HIV ShiloovTube for three to five days at body temperature to an incubator.

During this time, says Dr Jehuda-Cohen, the ShiloovTube's proprietary solution pushes the normal immune processes of the blood sample to completion. When there has been exposure to HIV, antibodies begin to form – even if they have not begun to develop in the donor's body. The sample is then subjected to HIV diagnostic testing. She says such tests can oow detect the antibodies much earlier.

Although critics say the ShiloovTube has been unable to detect antibodies from the moment of infection, Dr Jehuda-Cohen says the advances made by her laboratory will cut the amount of HIV contaminated blood donated during the window period.

Her findings were published in October during the American Association of Blood Banks conference. The HIV ShiloovTube is now under regulatory review in Brazil, Israel, South Africa and the US. Dr Jehuda-Cohen says she expects clinical trials in the US to start early next year.

Her main goal is to make her ShiloovTube "available and affordable to all". She reckons her tubes will cost "just a few dollars".

هكذا من الاعلى

Painted into the corner

William Packer reviews the John Moores Liverpool exhibition

This year, with its 20th reprise, the John Moores Liverpool Exhibition celebrates its 40th anniversary. Intended in the first instance as a single exercise, its success among artists was such that it has continued at regular intervals ever since. Always generous, its prize purse now stands at £30,000, with £20,000 to the winner, which keeps it well up with more recent rivals, such as the Jerwood, the Hunting and, of course, the Turner prizes.

In 1957 it stood quite alone, and, winning apart, it remains the one open-submission exhibition in which painters – for it is reserved to painters – of any serious modernist ambition, all want to show, if only once. To have a work selected is still a desideratum of the CV, a rite of passage, a feather in the cap. And on the very day when the winner of this year's Turner Priza is to be announced, which has not gone to a painter these 10 years past, it is perhaps reassuring to reflect on this proof that, in spite of all rumour, painting is by no means dead.

What sort of painting is another matter. I know from long and direct experience of these things – I was on the jury for the 13th John Moores – that any such open exhibition is necessarily the creature of its submission. One cannot choose from what is not sent in. And again, in reducing up to 2000 works to an exhibition of a mere 48, at odds, that is, of roughly 40: 1, hard choices must clearly be made. Even so, by the look of the thing, it would seem that this submission was one of remarkable consistency.

Most of it, abstract and figurative alike, is large in scale, almost as though the six-foot canvas were a minimum requirement. The show is dominated by abstraction, all of it either hard-edged, minimalist or commenting in some knowing way upon the processes of its making, and elegant and well-mannered to a fault.

As for what figurative work there is, it is taken always from the secondary reference, the photograph or, in one case, computer-generated perspective. There is no particular harm in that. It is all done well enough, conscientious and thorough-going.

But was there really no whole-hearted and adventurous abstraction sent in, and no painting at all for which the artist sat before landscape, figure or still-life, and tried simply and unself-consciously to make sense not of Art but of what he saw of the real world? Are the judges saying that no-one is painting the portrait any more, or the nude? Not one in 2000? Or are they just not doing it well enough?

It smacks a little, not so much of hard choices as of policy. It is at least either that or a pictorial correctness on the part of the artists themselves, in anticipation of the judges' preference.

In short, has the John Moores painted itself, as it were, into a corner, so that it is now become less of a truly open Open Exhibition than one that asks for work of a certain John Moores kind – rather like, *mutatis mutandis*, the Turner Prize?

If, on the other hand, the John Moores would still claim to be open, catholic and representative, and its jury is indeed saying to us: "yes, this is indeed a true reflection of the present state of British painting", then one might well conclude that certain kinds of painting, if not actually dead, are withering on the bough. Not so reassuring after all.

All that said, the show does hold a good number of interesting and indeed beautiful things.

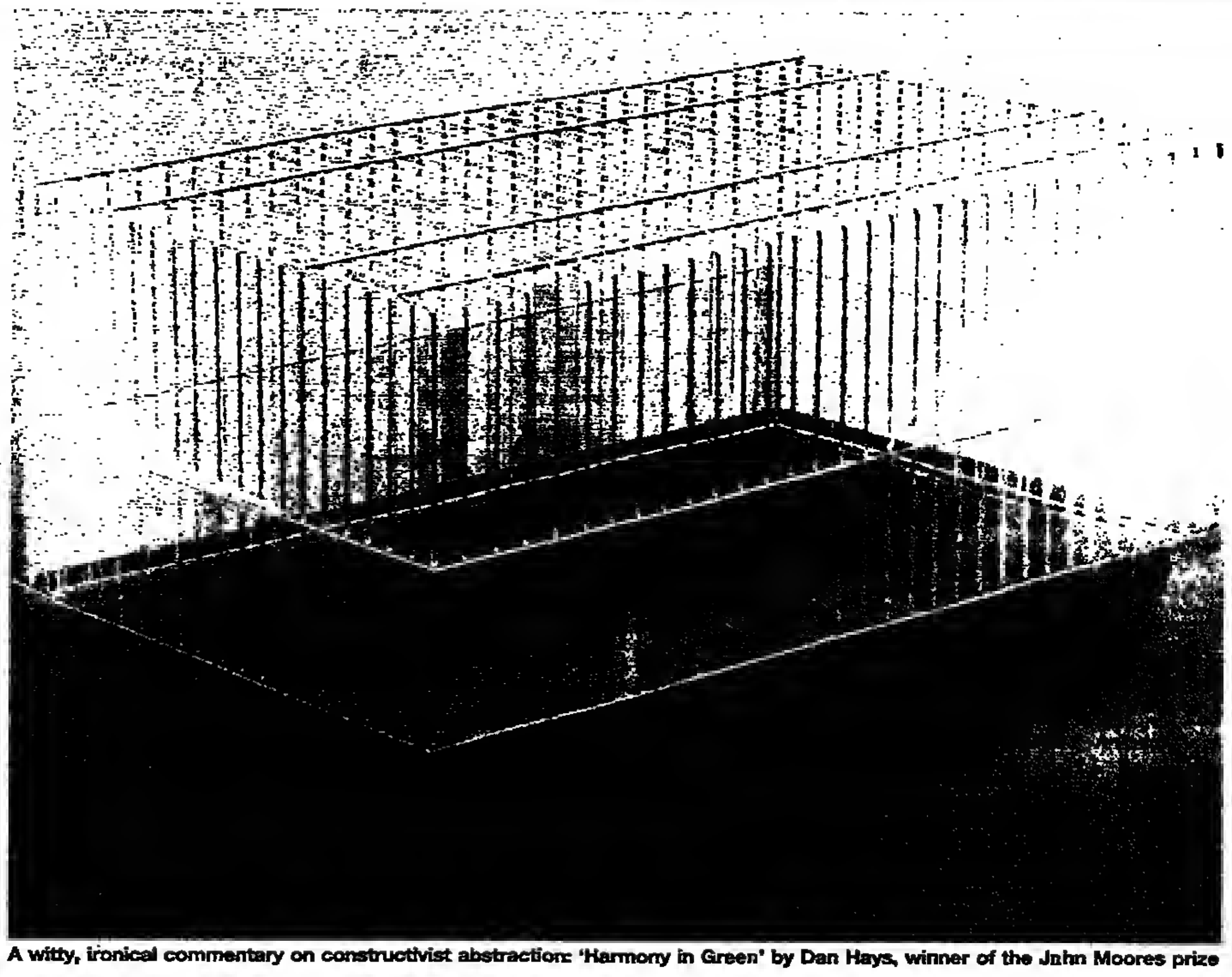
For my part I would have given the prize either to the washed-out orange rectangles of Callum Innes, Turner contender two years ago and here a minor prize-winner, or to the darker and more mysterious horizontal stripes of Edwina Leapman, which got nothing at all. Both are minimalist and process paintings of extreme refinement, and great beauty.

To quarrel with the jury's judgment is of course part of the fun, though to see Gary Hume rewarded yet again, as if by rule, for his crude and empty images is less funny than it was. And Masakatsu Kondo's large grey photo-realist mountain is more tediously worthy than distinguished. Far more intriguing and audacious a piece of photo-realism is Karl Maughan's large herbaceous border, the kind of image found on the jigsaw puzzles of one's childhood, which on close inspection of the surface dissolves into an extraordinary expressionist flurry of description. It too went unrewarded.

I also liked Virginia Verran's black painting, pale, bright blobs and swirls on a dark ground, that stood out as the one really open-ended engagement with painting as such in the show.

As for Dan Hays's winner, I can only say fair enough, for it is a beautifully made and intelligent exercise in sustaining a complex image on a large scale. A green hamster cage fills the canvas, its perspective not distorted exactly, but flattened as though seen through a telescope. The paint is flat, immaculate, uninflected, and in its detail unexpectedly undescriptive. For what we find between the wire bars is no response to what is there, but a witty, ironical commentary on constructivist abstraction, from Vantongerloo to Bridget Riley. Not bad at all.

The John Moores Liverpool Exhibition 20: Walker Art Gallery, Liverpool, until February 15.



A witty, ironical commentary on constructivist abstraction: 'Harmony in Green' by Dan Hays, winner of the John Moores prize

Obituary
Stephane Grappelli

You can count the number of top-class jazz violinists on fewer than the fingers of both hands (although there have been some mighty fiddlers in the western swing tradition with links to jazz). By far the best known was Stephane Grappelli, who died yesterday in Paris aged 89.

It was not so much that Grappelli was the best of them, although his technique was indeed formidable. Another white violinist, the Italo-American Joe Venuti, exercised much more influence on his contemporaries, including Grappelli. And then, of course, there was Stuff Smith, the black American player who was the daddy of them all in jazz terms.

But Grappelli outlived everyone. In the process, he turned the violin into a genuine jazz instrument accepted even by die-hard jazz puritans to whom the merest mention of strings had been anathema.

The violin is a difficult instrument to play, and doubly difficult to play well. But Grappelli managed it superbly and achieved consistently the sort of hard-driving swing foreign to all but a few classically-trained musicians.

Much of this can be attributed to Django Reinhardt, the legendary Belgian acoustic guitarist with whom Grappelli formed the Quintet of the Hot Club of France in 1934. Over the next five years, Reinhardt's brilliantly imaginative solos and rhythmic intensity set the jazz world buzzing, especially in the US where he quickly became regarded as the first European jazzman of major stature.

But it became clear in hindsight that Grappelli – a competent pianist and composer/arranger, too – was just as important a member of the group. Indeed, he went from strength to strength as a solo artist after the second world war, as Reinhardt's star waned during his less than happy flirtation with the electric guitar.

Grappelli left Paris ahead of the Nazis and went to London, where he made many recordings and was a regular with such wartime groups as Hatchette's Swingtette. And although he and Reinhardt did work together afterwards, the old magic was not quite so potent.

The post-war Grappelli toured the world extensively. He had a long-time and fruitful musical association with the distinguished British pianist, Alan Clare, and he was credited with being a formative influence on young violinist Nigel Kennedy as well as French jazz virtuoso Jean-Luc Ponty. He also recreated the Hot Club style with great success in a sophisticated small group where another British musician, guitarist Diz Disley, filled the Reinhardt role with skill and warmth.

At one stage, Grappelli formed a duo with classical violinist Yehudi Menuhin which caught the imagination of record-buyers. He even got round to recording with his old idol, Venuti; the outcome proved they were indeed two of a very special kind.

Grappelli never lost his love of classical music. Indeed, he once collaborated with the US jazz violinist, Eddie South, in what was rated a memorable performance of Bach's Double Concerto in D-minor. It was a fair measure of the versatility of one of the more remarkable musicians jazz has produced.

Sinclair Robieson

Alastair Muir

Taking on the role of Winnie: Natasha Parry in Peter Brooks' production of Beckett's 'Oh les beaux jours'

Theatre/Alastair Macaulay

Happy Beckett from Brook

The sight of a woman up to her neck in earth is becoming surprisingly familiar. In the last five years, I have seen four stage productions of Beckett's *Happy Days* – in which, you may recall, the protagonist, Winnie, is up to her waist in a mound of dry earth in Act One, up to her neck in it in Act Two. Indeed, over this last weekend, I saw not only Peter Brook's staging of *Oh les beaux jours*, the francophone original version from which Beckett then translated *Happy Days*, but also the TV film of Billie Whitelaw in the 1979 Royal Court production of the play (in English). It remains an intoxicating play. Beckett expresses his bleak vision of a life with such wit that one rejoices in it; and with such economy that new meanings and connections keep emerging in each new production.

Peter Brook's last several productions – from *Carmen* through to *The Man Who...* – have been the Emperor's New Clothes, in which he has boiled down his raw material into thin, tepidly performed, reductions (inflated with various pretensions). But, in *Oh les beaux jours*, he becomes an artist again. (The production was new last year in Paris; its season at the Riverside Studios, as part of the French Theatre Season, is a co-production with the National Theatre.) By subordinating himself and his actors to the precision of Beckett's play, Brook gives us complex humanity and a complex work of art. Natasha Parry is his Winnie: seamlessly, she catches the fragments of learning, affectation, coquetry, gentility, hope, memory, and despair that cling to her mind as her broken stream of consciousness rattles on.

It is often said that Beckett's French texts lack the wit of his Irish/English versions (and the truth of this is shown by Christopher Ricks in his recent book *Beckett's Last Words*). Nonetheless, *Oh les beaux jours* has marvellous humour; it too refutes the still widespread notion that Beckett expressed only gloom. There were quite a few giggles on press night, and rightly so. "Quel est ce vers inoubliable?" ("What is that unforgettable line?") Winnie asks, but she has started to forget it. Willie seldom speaks or moves or is even visible, but she keeps up conversation to him all the same: you have to laugh at a woman who, up to her neck in earth, says "Je trouve ton attitude un peu étrange, Willie" to a man who throughout Act Two has been unseen and silent and who may by now have expired.

Even so, Brook's account of *Oh les beaux jours* is not a major revelation to those of us who have seen excellent productions of this play before: in recent experience, Karel Reisz's staging for Dublin's Gate Theatre (seen at the Almeida last year) with Rosaleen Linehan as Winnie was yet more alert to interior meanings and to overall lyricism.

Beckett has been a major theme throughout the recent Belfast Festival, where the Royal Shakespeare Company's production of *Beckett Shorts* has been admired and where several lectures have added new fodder to Beckett studies. At the tail end of the festival, I was able to catch the four Beckett film showings at the Queen's Film Theatre. To us who have discovered Beckett since his death, it is intensely interesting to watch performances that were recorded with his help and surveillance. Again and again, one hears the rhythm and music for which Beckett called out above all other values in his work. Billie Whitelaw's account of *Happy Days* is more musical than any I have ever seen in the theatre, and from the first word it brings new insights. ("*Another* glorious day," she begins; the word "another" has such a marked a vocal fall that it at once catches a quality of wry resignation.)

That is not to say, for all Whitelaw's fame in Beckett's work, that her interpretation surpasses all others: it becomes at several points the least spontaneous I have seen, following rather than embodying the music on which Beckett so laboured. The great Beckett revelations of this mini-film-festival lay elsewhere: in the silent *Film* (with Buster Keaton) and, above all, in *Eh Joe* in which the camera closes up on old Joe's aged face (Tom Hickey's) as a female voice (Siobhan Mackenna's) keeps bringing up the past and its resonances in his head. At the end, we listen to her voice, and watch nothing but one of Joe's eyes, wrinkled, drooping, blinking, filling the screen; and we watch one tear after another form and fall.

Riverside Studios, London W6. To December 6 (0181-741 2255).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
On Country Roads and Fields: tracing the development of Dutch landscape painting through the 18th and 19th centuries, this exhibition starts with the idealised visions of De Moucheron and Van Huysumm, includes examples of The Hagua School post-1860, and concludes with turn-of-the-century works by Van Gogh and Mondrian; to Mar 3

Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Malevich: Works on Paper from the Khardzhiev Collection Exhibited for the First Time. 79 drawings in pencil, chalk, gouache, ink and watercolours, spanning almost the whole of the Russian avant-garde artist's career. Until Khardzhiev's death in 1996 his collection was not made available for public display; to Jan 25

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 4, 7

■ BARCELONA

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
Madrid-Barcelona, 1930-1936: brings together a group of around 100 avant-garde works from the period of the Second Republic, before the Civil War. Includes paintings and sculptures by Picasso, Miró and Dali, along with photographs, posters and films; to Dec 21

■ BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Dec 7

■ BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Turandot: by Puccini. Revival conducted by Daniele Gatti in a staging by Hugo de Ana; Dec 2, 4, 6, 7

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Dec 2, 5

■ EDINBURGH

EXHIBITIONS
Scottish National Gallery of Modern Art
Tel: 44-131-624 6200
Correspondences: transferring from the Martin-Gropius-Bau, Berlin, a selection of works by six young Scottish and six young German artists. Organised as an exchange, the display includes painting, sculpture, video and light projections; to Feb 1

■ FRANKFURT

EXHIBITIONS
Schirn Kunsthalle
Tel: 49-69-299 8820
Holy Russia: Icons and the Rise of Moscow 1400-1600. 50 rarely exhibited icons lent by Russian museums are the centrepiece of this exhibition, which also includes 16 manuscripts. The period was a crucial one, which marked the rise of Moscow as a principality ruled by powerful Tsars. Its architecture and art reflect this shift, and illustrate a remarkable synthesis of Renaissance ideas with traditional Byzantine forms. To Mar 1, after which the exhibition will travel to London

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
Sarah Chang: recital by the violinist of a programme including works by Strauss and Brahms. With pianist Charles Abramovic; Dec 7

EXHIBITIONS
National Portrait Gallery
Tel: 44-171-3060055
Hyenas in Petticoats: Mary Wollstonecraft & Mary Shelley. Celebration of the joint bicentenary of the two women writers, the birth of the latter having caused her mother's death. Through portraiture, drawings and manuscripts the display examines their lives, times and writings; to Feb 15

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Falstaff: by Verdi. This co-production with Opera North, first seen in Leeds, is conducted by Dohnányi and directed by Matthew Warchus. Cast includes Alan Opie in the title role; Dec 3
● The Magic Flute: by Mozart. Nicholas Hytner's English National Opera production, revived by David Ritch and conducted by Christopher Moulds; Dec 4, 6

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Il barbiere di Siviglia, by Rossini. New production staged by Nigel Lowery; Dec 2, 3, 4, 5, 6

THEATRE
Riverside Studios
Tel: 44-181-741 2255
Oh Les Beaux Jours: by Samuel Beckett (1961). Peter Brook directs Beckett's French language version of Happy Days; Dec 2, 3, 4, 5, 6

■ LOS ANGELES

OPERA
L A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Countess Maritza: by Kálmán. Premiered in Santa Fe this summer, this lively production by Linda Brovsky stars Ashley Putnam and is conducted by John Crosby; Dec 2, 5, 7

■ MADRID

DANCE
Teatro Real
Tel: 34-1-516 0600
The Royal Ballet: The Sleeping Beauty, choreographed by Petipa to music by Tchaikovsky, in a staging by Anthony Dowell; Dec 2, 3

■ NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 2, 3, 4, 5, 6, 7

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● La Clemenza di Tito: by Mozart. Conducted by James Levine in a staging by Jean-Pierre Ponnelle. Cast includes Anne Sofie von Otter and Anthony Rolfe Johnson; Dec 3, 6
● The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Dec 4, 6

■ PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Wolfgang Sawallisch in works by Beethoven. With soprano Eva Mei, tenor David Kübler, bass Jan-Hendrik Rootering and Choir led by Arthur Oldham; Dec 3, 4, 6

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
Der Rosenkavalier: by Strauss. New production conducted by Edo de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 3, 6

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 3, 6

■ TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3289 9999
Chamber Orchestra of Europe: conducted by Emmanuel Krivine in works by Prokofiev, Beethoven and Mendelssohn; Dec 2

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC Europe**
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

COMMENT & ANALYSIS

Martin Wolf

Licence to pollute

A deal to cut greenhouse gas emission may well be pointless. Even if it had a point, it could cost the rich more than they realise

Climate change

Some people are agoraphobic; others are claustrophobic. I am chlorophobic. I suffer from an intense aversion to greens (chloros being ancient Greek for green). I am constantly told by my friends that this is irrational: greens can be charming and reasonable. Intellectually, I know this must be true. My heart tells me otherwise.

Whenever I hear some pompous prophet of ecological doom declare we all have to give up something we enjoy to save the planet, my chlorophobia returns. Greens, I feel, are sophisticated reactionaries whose aim is to keep the world's poor poor and its rich guilty.

As a sufferer from this aversion, I have found it difficult to take global warming seriously. The burning of fossil fuels underlay the 20-fold rises in real incomes per person experienced by today's advanced countries since the industrial revolution. If it is abolished as a sinful self-indulgence, we might be on our way back to the self-sufficient village economy many greens admire.

It is with pleasure therefore that I have read two sceptical publications on global warming, published to coincide with the global climate-change jamboree in Kyoto this week.* Their principal messages are that:

- Evidence for global warming is inconclusive
- The role of man-made greenhouse-gas emission is questionable
- Scientists who promote fear of global warming have a strong interest in pushing this case
- Global warming, even if true, is unlikely to cause the tempests and plagues many allege; and
- A warmer planet might be more pleasant anyway.

While I would love to believe all this (and, in my heart, do), I lack the expertise to judge its plausibility. But there are three aspects of the debate an economist can illuminate.

First, the fact that emissions may be causing global warming does not mean we must act now. Technological change will make it cheaper to cut emissions in future. Standard discounting and the prospective rise in global wealth also mean the opportunity cost of a given cut in greenhouse gases will be smaller, if postponed. Today's best policy could well be just to support research and development in low-emission technologies and halt subsidies to inefficient energy use.

Moreover, even if global warming were costly, it could still be unwise to reduce its effects, rather than adapt to it. Some estimates of the costs of stabilising emissions exceed those of the benefits. Stress on the "precautionary principle" may help persuade people to spend a great deal to obviate the threat. It may still not make sense for them to do so.

Second, even if the aim is to lower emissions, the debate in Kyoto is vitiated by attempts to set targets for each high-income country, rather than on how to minimise the costs of lowering aggregate emissions. The marginal costs of reducing emissions need to be equal across countries to minimise the global cost of emission controls.

The European Union is proposing a 15 per cent cut in emissions from 1990 levels by 2010, while the US is, to EU complaints, planning to stabilise emissions at 1990 levels. Intriguingly, a report from Oxford Economic Forecasting indicates that the income loss would be the same for both, at 1¼ per cent of potential gross domestic product.** For a number of reasons, it is more costly for the US to achieve a given quantitative reduction than for the EU.

Oxford Economic Forecasting also shows that costs would be lower if there were international trading of emission permits. The implicit carbon tax would then be the same across countries, at $125 a tonne. Without trading, it would vary, inefficiently, between $35 in Germany and $580 in Japan.

Third, the most effective and efficient policy regime must not only equate marginal costs across countries, but go beyond the high-income ones alone. This is why the most intellectually satisfactory solution is a regime of tradeable emission permits that covers the entire globe.

In the short term, it may make sense to limit restrictions to high-income countries. It would be easier to establish the relevant markets in countries already capable of the needed monitoring and policing. In addition, they still generate more than two-thirds of global emissions.

Yet developing countries would need to be involved fairly soon. High-income countries might meet a part of their targets by paying developing countries to lower emissions. But developing countries would need to be included more directly than this, since they are likely to generate at least half of the world's emissions within, at most, 25 years.

The question, however, is how to persuade them to accept curbs. They have two excellent reasons for rejecting the very notion. The first is that high-income countries are, as the graph shows, responsible for today's problem (if any). They have poured their emissions into the atmospheric sink, on a first-come, first-served basis, for two centuries. How can they now have the cheek to expect the poor to pay for what they enjoyed for free?

The second reason is that what matters most for developing countries is to become prosperous as soon as possible. Of the environmental problems they confront, global warming is also the most remote: unsafe water, deforestation and poor air quality are all more pressing.

Why then should they accept any curbs on their emissions, when these can still be as little as a tenth of those in high-income countries, per person?

A paper by the United Nations Conference on Trade and Development suggests a deal could still be done.*** But disproportionate cuts would need to be made by the rich countries that expected to gain most. There would also have to be recognition of the obviously just principle that countries with a huge number of people are entitled to a proportionately large share in the world's atmospheric sink.

The high-income countries would, in effect, have to compensate developing countries heavily for their co-operation, by purchasing the excess of the permits the latter obtain over what they use themselves. A model by the Organisation for Economic Co-operation and Development analyses what would happen if there were to be a 45 per cent reduction in emissions in 2020, compared with what they would otherwise be. There would then be net payments to China and India of $76bn and $14bn, respectively, and from OECD members of $96bn, in 1985 dollars.

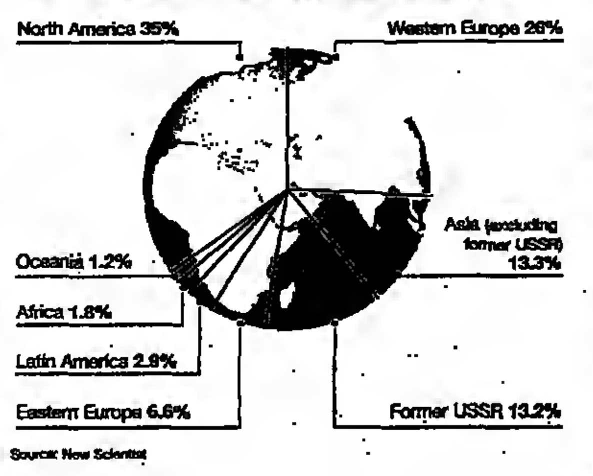
It is difficult to imagine anything like this passing the US Congress. Yet tradeable global permits are the rational way to control emissions. The economist in me finds the notion fascinating enough to make me a temporary chlorophile.

*Julian Morris (ed) Climate Change (London: Institute of Economic Affairs, 1997) and Roger Bate (ed), Global Warming: the Continuing Debate (Cambridge: The European Science and Environment Forum, 1998). **Oxford Economic Forecasting, the Economic Implications of Reducing Carbon Emissions, November 1997. ***Unctad, Controlling Carbon Dioxide Emissions: the Tradeable Permit System, 1995.*

Martin.Wolf@FT.com

Where responsibility lies

Man-made carbon dioxide emissions since 1800



Source: New Scientist

Patching up the Velvet Revolution

The fall of Vaclav Klaus could begin a second phase of reform, writes **Robert Anderson**

Vaclav Klaus, the man who made the Czech Republic the admired early leader among the new democracies of central and eastern Europe, was finally brought down by the failings of his own creation.

The inefficiencies of the model of reform that he designed had been exposed by a currency crisis in May this year. But it was the system's ethical failings that finally forced him to resign as prime minister at the weekend.

His party "created a system that was so prone to corruption it eventually consumed Mr Klaus", says Jiri Pehe, a political analyst and an adviser to Vaclav Havel, the president.

Some may see Mr Klaus's fall as poetic justice. He often boasted that the Czech Republic would be the first post-communist country to join such western clubs as the European Union. His critics wondered, in turn, whether the Czech miracle was all it was cracked up to be. Paradoxically, his resignation may signal an end to the phase of scepticism about Czech reform, and start a period in which others can improve on his legacy.

Mr Klaus has fallen far. Once he was the darling of the west and Margaret Thatcher's favourite "other prime minister". After the Velvet Revolution of 1989 he was hailed for the speed with which he transformed the then Czechoslovakia into a market economy. He also won praise for the eloquence with which he presented his model of reform, based on trade liberalisation, macroeconomic stability and voucher privatisation. Under this scheme, citizens were given vouchers to exchange for shares in privatised enterprises.

The Czech Republic enjoyed several years of strong growth after the initial pains, boosted by an influx of foreign investment. But the system had inherent weaknesses. Voucher privatisation left old managers still in charge because it dispersed the ownership of privatised companies among scores of investment funds.

More damaging still, not least to the image of the Czech model, was the deliberate failure to establish a system of rules and enforcement over financial markets. This was neglected in the belief that over-regulation would cramp the natural growth of capitalism.

Minority shareholders and small investors were ignored as investment funds juggled their portfolios or even plundered their assets. Foreign portfolio investment shrank, and the deteriorating macroeconomic picture, in particular the weak export performance, precipitated this year's severe currency crisis.

That economic shock prompted the government to begin the belated modification of its model by agreeing to privatise remaining state-owned banks; reduce bank and investment-fund control of industry; and improve corporate governance and financial market regulation, notably by setting up a US-style Securities and Exchange Commission.

Mr Klaus accepted the need for these measures grudgingly but could not identify with them, thereby allowing Ivan Pilip, the finance minister, to take the credit. The feeling grew, even among his closest allies, that Mr Klaus was no longer relevant to the new phase of transformation.

This began to undermine Mr Klaus's second great achievement, the establishment of the most stable political system in post-communist eastern Europe. Mr Klaus had made the Civic Democratic party into the strongest rightwing party in the region, partly by taking party discipline more seriously than other east European leaders.

The Czech Republic's economic progress and stability was rewarded when it became the first country in the region to join the Organisation for Economic Co-operation and Development. It was also promised eventual membership of the European Union and Nato.

But last year the voters stripped the coalition of its majority, which then had to rely on opposition defectors to remain in office. The two smaller parties in his coalition also began to flex their muscles and rivals within Mr Klaus's party were emboldened to challenge his authority.

A party funding scandal was the final nail in the coffin. Not only did it destroy the fragile political balance within the ruling coalition but it also cast some doubt on the Czech economic model itself. This will be badly wounded if it emerges that winners of privatisation tenders have paid kickbacks. Mr Pilip, who played a pivotal role in bringing down Mr Klaus, has said he wants several tenders re-examined.

All of which has thrust the Czech Republic into uncharted waters. The situation is made more complex by the constitution, which makes it difficult to call a snap election. So unless the party is able to pull together under a new leader, the country is likely to be ruled by caretaker administrations for several months at least.

Zdenek Bakala, the chairman of Patria Finance, an investment bank, is not too concerned. "I don't view it as six months of instability," he says. "I think the instability is ending with what happened over the weekend."

The period of reforming the reform programme can now begin – with or without Mr Klaus.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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London Stock Exchange must act to avoid false markets

From Mr David Grenier.

Sir, Your market report of November 29 on the London Stock Exchange rightly focused on the bizarre sequence of events which led to a fall of 57.2 points in the FTSE 100 Index. As a reconstruction of events shows, I believe that a classic false market was created.

For a start, more than half of the fall in the index was attributable to two small last-minute trades before the market closed. These trades were in 2,000 shares of Glaxo Wellcome at 1,300p, down 58p from the previous trade, and 3,000 shares of SmithKline Beecham at 550p, down 37p from the level prevailing a few minutes earlier.

For the purpose of establishing the closing prices which are used in calculating the index, transactions involving £26,000 and £16,500 were instrumental in determining the stock market value of two companies capitalised at in excess of £45bn and £30bn respectively. For serious investors concerned with the value of their holdings, pricing on this basis must be illogical and absurd.

Much of the responsibility for this must lie with the way the new order-driven system (Sets) has been implemented by the Stock Exchange. Spokesmen for the exchange from time to time issue reassuring statements about the level of usage of Sets by market participants and about the narrowing of spreads which is now beginning to take place. This fails to take account of the broader principles governing any effective market place: the provision of liquidity, transparency and fair dealing for all investors, both large and small.

On all these counts, the London market is failing many of its users. Both around the daily opening and the closing of the market, the concept of achieving best execution for investment clients is a hit-or-miss procedure. The erratic and volatile pricing of FTSE 100 index constituents has, moreover, a knock-on effect on related markets including the whole range of derivative instruments as well as convertibles. The implications for the valuation of portfolios are of equal concern.

At the moment, investors appear to be guinea pigs in a long drawn out experiment. The time for experiment is over and it is time for the Stock Exchange to act to rebuild investor confidence. There are a number of steps that could be taken quickly.

First, the Exchange needs to establish a more consistent basis for determining normal market size (NMS), a basic measure of liquidity. It appears inconsistent that NMS in Shell Transport is 25,000 shares (some £100,000 consideration) when NMS in SmithKline Beecham is 50,000 shares (about £275,000 consideration).

Second, real-time pricing of the index during trading hours should only reflect transactions of substance, ie in normal market size. The same should apply to the calculation of the closing index.

Third, the Stock Exchange should not even consider extension of the order-driven system beyond the constituents of the FTSE 100 Index and the reserve list until all of the problems of "rogue" trades and "rogue" pricing have been resolved: the scope for manipulating prices to the detriment of investors would be considerably greater in the less liquid constituents of the FTSE 250 Index, let alone the smaller capitalisation companies.

At a time when rival stock markets such as Frankfurt are bringing in new systems to bolster their case for European leadership, it is vital that the London Stock Exchange should act promptly. Last Friday was an example of a minor disaster. Under more adverse conditions the disaster could be of major proportions.

David Grenier,
chief executive,
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Energy efficiency initiatives irrelevant

From Dr L.G. Brookes.

Sir, The issue of energy efficiency as discussed in your supplement of November 28 prompts me to offer the following two comments:

- There is no general case for energy efficiency. One man's efficiency is another man's inefficiency. If one lives in a small apartment with limited external walls, on-peak electric may be the most economical form of heating. It follows that it is acting as Robin Hood in reverse to levy such consumers and use the money to subsidise expensive condensing boilers for wealthy occupants of large houses.
- Higher levels of energy efficiency lead to increased consumption at the macroeconomic level. This was pointed out by Stanley Jevons more than 130 years ago and has been reasserted by others since. The facts are there for all to see. Greatly improved thermal efficiencies over the last two centuries have been accompanied by large increases in total and per capita energy consumption.

It follows that a national energy efficiency programme is likely to be inequitable in operation and is certainly irrelevant as a measure to combat global warming.

Leonard G. Brookes,
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Ringwood,
Hants BH24 2JT, UK

Emu much bigger risk

From Mr Mark Williams.

Sir, Sir Bryan Nicholson is absolutely right (Letters, November 27) to point out that the last government had lost control of the British economy before Britain's entry into the exchange rate mechanism.

However, he conveniently forgets that the policy of Nigel Lawson, the then chancellor, in the late 1980s was to shadow the D-Mark and maintain a rate of about DM3 to the pound in a sort of de facto membership of the ERM. During the late 1980s boom, the government should have had higher interest rates to cool the economy. However, Mr Lawson had to have a lower interest rate than was needed in order to keep the pound down to DM3.

This was a classic example of the danger of tying together economies that are out of sync, which created first an accentuated boom and then prolonged the recession which would, despite Sir Bryan's hypothesis, have continued much longer had we not had the safety valve of being able to get out of the ERM. Unless we learn this lesson, the British public risk far worse in an Emu with no way out.

Mark Williams,
Ch Chantebise 16,
1291 Commugny,
Geneva, Switzerland

Even worse

From Mr W.B. Fox.

Sir, It seems the International Monetary Fund, when it agrees to "bail out" countries in trouble, is going to insist on very stringent deflationary policies being put into force in those countries. This will certainly be very effective. It will make the worsening world financial crisis a far worse!

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday December 2 1997

Rescuing the rouble

Today the IMF starts meetings with Russian officials in Moscow. Rumours abound that Russia will use the occasion to ask for an extra emergency loan to help it defend the rouble, which is still under speculative pressure. The IMF is not yet in a position to provide such help; neither, at the moment, are national governments. It is up to Mr Yeltsin's government to take radical measures to secure speedy IMF approval of its reform programme, and avoid what could become both an economic and political crisis.

A sudden devaluation of the rouble would be a disaster for the Russian economy. High foreign exposures would leave several banks in severe difficulties. Also, the loss of confidence which would follow a devaluation might lead to a rush out of the domestic currency, quickly escalating the problem.

But what makes this of international significance is that such serious economic disruption could have dangerous political consequences. Economic reform in Russia already has strong opponents. Both the Communist faction in the Duma and, at the opposite extreme, the tycoons who dominate the Russian business world are opposed to further liberalisations, for their own very different reasons. A sharp drop in the rouble would do serious damage to the credibility of the reformers. And it could even precipitate the downfall of the government. The risks to global political stability are evident.

In asking for an extra loan from the IMF, though, Russia may be asking the impossible. It has failed to fulfil the conditions of its IMF programme. In particular, its record of fiscal reform has been dismal.

The IMF cannot ignore this and act as an unconditional lender of last resort. To do so would be to create a precedent which would be impossible to follow. If it gave in to Russia, it would be inundated with requests for help from other countries under the same pressures. So the IMF is unlikely even to approve the release of the latest tranche of its loan to Russia this year, let alone provide extra funds.

Russia's alternative is to seek help from other governments. But for governments to provide assistance without IMF approval of Russia's performance could seriously damage the IMF's credibility.

If the IMF gives Russia a fresh stamp of approval, then national governments can and should step in with bilateral offers of liquidity assistance. But until this happens, the rest of the world can do very little, despite the importance of the problem. Mr Yeltsin and his team must quickly introduce the fiscal reforms needed to gain the IMF's approval. Such reform has always been in their country's interest – but now Russia's stability depends on it.

Nazi gold

Information on the gold looted by the Nazis from individuals as well as countries is now beginning to pour out from many sources. But this does not make prescriptions about atonement and compensation any easier.

Yesterday Swiss historians published a report underlining their country's central role in gold dealings with the Third Reich, and revising upwards the part played by their banks. This will provide grist for the 40-nation conference on Nazi gold that opens in London today. It will also feature prominently at next week's New York hearing, in which Swiss bankers will have to show openness about Holocaust victims' accounts or risk losing US business.

With inquiries launched in many countries, the international search is now on in earnest for the truth about Nazi gold, and this may soon extend to other assets looted by the Nazis from their victims, like art and the proceeds from insurance policies.

One relatively easy issue confronts the London conference – the fate of the remaining 5.5 tonnes of gold held by the Tripartite Gold Commission (TGC). Over the years, this commission, composed of the US, Britain and France has returned a much larger amount of the metal to some 15 countries – Nazi allies as well as enemies – whose central bank coffers were known to have been emptied by Germany. Recent research has, however, made it increasingly clear that not all of this TGC gold was "monetary", and that some of it was "non-monetary", coming from individual Nazi victims. The TGC is therefore, rightly, proposing the 15 recipients should waive their claim to the 5.5 tonnes which should be paid into a new compensation fund for individuals. This fund ought also to attract donations from others – wartime neutrals, even members of the TGC.

Switzerland remains a special case. Involved in 76 per cent of Nazi Germany's foreign gold transactions, the Swiss have more to account for than anyone else. They have begun to do so. In addition to the historians, who are to continue their work, Swiss bankers have set up a panel, chaired by Paul Volcker, the former chairman of the US Federal Reserve, to publish lists of dormant accounts. They have established a special holocaust fund for east European Jews, so far uncompensated. And the Swiss government has also suggested a more general fund for genocide victims.

If and when Switzerland carries out these plans, it can probably argue it has atoned enough. Full disclosure cannot be rushed, but it would be appropriate if one of the foulest chapters of this century could be closed by the millennium.

Parallel crises

It may be coincidence that India and Pakistan face simultaneous domestic crises, but they have chosen an exceptionally bad time. Both countries are vulnerable to contagion from the economic difficulties engulfing their eastern neighbours.

Pakistan has only recently completed difficult loan negotiations with the International Monetary Fund, while India's rupee has fallen amid worries about sluggish economic growth as well as waning hopes of stable government. Instead of facing up to these issues, politicians have engineered crises out of opportunism.

Nawaz Sharif, Pakistan's prime minister, shortly after entering office this spring, had removed the president's power to dissolve the government. Now he is locked in a struggle with the judiciary, the one body apart from the military that can act as a constraint on his power. India's Congress party has seized on an official report into the assassination of Rajiv Gandhi as an excuse to withdraw support from the minority coalition in New Delhi.

Though Pakistan's judges yesterday appeared divided as to how to deal with Mr Sharif, the country seems to be edging towards takeover by a hitherto reluctant military. Benazir Bhutto, the opposition leader whose government was ousted last November amid charges of corruption and incompetence, remains discredited. In devoting his energy to constitutional manoeuvres to enhance his power, Mr Sharif has shown he is not much better.

But there is a difference between the two countries. A military government in Pakistan is no solution to the country's problems, but it might lead to the installation of technocrat ministers focused on reviving the economy. In India the short-term economic outlook is uncertain. As of now, there seems little chance of President K.R. Narayanan managing to mediate the formation of a viable new coalition. So elections look likely.

That means several months of caretaker government with no further progress on economic reform or on reducing India's excessive budget deficit. This is the second move by Congress against a coalition that, though frail, has liberalised oil prices and sought more friendly relations with India's neighbours.

In power for much of India's independence, Congress appears to feel an inalienable right to govern. But Indian politics is changing. Regional influences are growing and there is less room for a dominant national party. It may take another general election for Congress to understand this. India risks paying a large price in policy paralysis along the way.

Scare stories in Washington

Patti Waldmeir says nervousness about globalisation does not mean the US is about to retreat into isolationism

Globalphobia. From the land of linguistic invention comes a new American word to capture the dominant economic malaise of our time – fear of globalisation.

The word trips off the tongue, all glibness and melodrama, but the phenomenon it describes is a powerful one. Globalphobia is proving a potent force in US politics and foreign policy.

The administration has tried to ignore it, confident that bombarding the public with good economic figures – the best growth, inflation and unemployment for a generation – would cure it. But globalphobia is holding its own against the statistical barrage, and even gathering strength.

The biggest victory so far for anti-global sentiment came last month, when Congress denied the request of Bill Clinton, the US president, for new "fast track" trade negotiating authority, dealing a blow to the administration's efforts to build a new internationalist consensus in America. And every day brings new despatches from Asia – threatening higher Asian exports, and a larger US trade deficit – to feed the phobia.

With US growth, unemployment and inflation in almost impossibly good alignment, this might seem an odd time for phobias. In fact, even economic triumphalism has not been enough to quench deeper insecurities. Globalphobia has tapped an enduring popular resentment about America's position in the world.

"There is a perception that the global system is *unfair*... and it goes well beyond trade," says Steve Kull, head of the University of Maryland's Program on International Policy Attitudes, which has extensively polled public attitudes toward foreign policy. "The theme 'we're doing more than our fair share' comes up repeatedly."

"Americans see the US as a hegemon, holding up the world... while others get a free ride," he says. They nurse the constant fear that European nations will shirk the cost of Nato enlargement; complain that the US is left almost alone to fight the twin menaces of Iran and Iraq; and insist that the US will not participate in reducing greenhouse gas emissions unless developing nations (which do much less damage) also shoulder the burden.

America has been nursing such grievances for decades, says Mr Kull. But the end of the cold war and the advent of globalisation have created fertile ground for new resentments. On the trade front, Americans complain of unfair competition from countries that keep costs down by exploiting cheap labour and ignoring environmental standards. On that issue, they end up looking like protectionists.

On the broader foreign policy front – where Congress has recently dealt the administration two important blows by denying funding to pay US debts to the United Nations and to provide more money for the International Monetary Fund – the fight for perceived fairness makes Americans look isolationist. This leaves US allies, along with many in the foreign policy establishment, fretting at a rise in two evil "isms" – protectionism and isolationism – in a dangerous new conjuncture.

Richard Haass, foreign policy analyst at the Brookings Institution in Washington, says fears of a new wave of either "ism" are overdone. He believes the fight over fast track was not so much won by its opponents, as lost by those who failed to make a positive case for it.

"The potential losers from globalisation, while relatively modest in number, feel their emotions intensely while the potential gainers, though larger in number, are often not even aware of the source of their good fortune," he says. Susan Aaronson, a trade historian, concurs. "The only people who are concerned about trade are those who have been hurt, either by losing their jobs or by tainted strawberries," she says, referring to a spate of recent health scares over imported food.

The defeat may have had as much to do with politics as anything else. One administration official argues that the president's fellow Democrats, who ensured defeat by failing to support him, wanted to deliver "a personal rebuke" for reasons having nothing to do with fast track. The president had ignored them by pushing through welfare reform and a balanced budget deal largely against their wishes. In so doing, he sacrificed their allegiance.

Many Democrats had little choice but to oppose fast track in any case. At a time when the campaign fundraising scandal has choked off the flow of large donations to a Democratic party in serious financial difficulties, Congressmen facing re-election next year had to vote with their pocketbooks. And Democratic pocketbooks are being filled at the moment largely from one source, the labour unions, which muscularly opposed fast track.

All of that does not add up to a groundswell of public support for protectionism. Indeed, it would be more correct to say there was scarcely a ripple of sentiment either way. The issue "never made it on the Oprah scale", says Ms Aaronson, who uses the popular talk show hostess as a barometer of public interest. And even in manufacturing heartland states like Ohio, heavily unionised and with the most to lose from fast track, the issue was largely ignored. "There are not half of one per cent of people in Ohio who know what fast track is," says Professor Al Tuchfarber, an Ohio pollster.

Still, those who do know what it is are highly motivated to fight it. And in a political system where minorities hold sway, special interests like the unions are disproportionately powerful. They are already gearing up to exploit globalphobia in the next election.

The success of that tactic will depend largely on the psychological state of America as it faces the challenges of globalisation. But the state of the American mind on this issue is difficult to predict both because polls show considerable confusion, and because the Asian crisis could have a significant impact.

Congressman Dick Gephardt, leader of House Democrats and the most powerful political opponent of fast track, articulates the resentment at the heart of globalphobia. "We must not negotiate away our jobs and our living standards based on outdated theories about trade and international economics... Many Americans see themselves as victims of trade agreements."

Even the victim syndrome is not clearcut. For while polls show that Americans overwhelmingly blame job losses on trade agreements, when asked whether the US economy – and even US workers – would be better or worse off if America cut trade with other countries, the majority clearly favours foreign trade. And even when asked to rate the North American Free Trade Agreement (Nafta), which has in the past been overwhelmingly unpopular, several recent polls show ambivalence, or even a narrow margin of support.

When asked to rate the US economy in general, the confusion is more obvious still. Polls show high support for Mr Clinton's handling of the economy, but also individual insecurity about jobs and the future. At the very least, America is caught in a perceptions gap, between the economic triumphalism of policymakers, and foreboding among the populace. In short, economic success has bad provoked two contradictory reactions, both of which risk turning the US inwards. Those who have benefited from growth tend think they do not need the rest of the world; those who have not fear globalisation will make take away their jobs.

And beyond the victim syndrome lies the moral dimension of trade. Historically, Americans have always viewed foreign policy through a moral prism. The end of the cold war made that difficult, but fast track is offering new moral possibilities.

So opponents of fast track couched their arguments in heavily moral terms: as a battle against exploitation of foreign workers and the environment by foreign governments. Some merely used this as a facade to pursue a protectionist agenda. But others genuinely believed in it. Morality will remain a powerful force in the argument – especially when it dovetails with self-interest.

All of this makes the debate on free trade and globalisation – arguably the most important foreign policy debate of the end-of-century – a hard sell for Mr Clinton. It is a tough sell anywhere in the world, says David Hale, global chief economist at Zurich-Kemper Investments in Chicago: "There is a big big gap between the policy elites and the masses on this issue... and the elites have not done very well at explaining its advantages."

As a result, Mr Clinton had to endure a protest vote against globalisation, followed by two humiliating defeats on paying debts to the UN (just when the US needed UN backing against Iraq) and on providing new funding for the IMF (at a time when it is asking the Fund to take a lead role in the Asian crisis).

The next few weeks and months will bring even tougher tests of Mr Clinton's global agenda. Will the Asian crisis exacerbate American globalphobia, or instead concentrate minds on the need for US global engagement? Will popular resentment over the burdens of power force a turning inward on issues such as Nato enlargement and the withdrawal of US troops from Bosnia? Or will the US simply drive a harder bargain with its allies when these two issues come to a climax next spring?

Even then, the larger question will remain: can Mr Clinton win the fight against globalphobia? It is a battle he has yet to join – but one which could, as much as anything else, define his presidency.

· OBSERVER ·

Seillière's market

■ When Jean Gandois quit as head of the Patronat in October, the French employers' federation was widely expected to go for a more confrontational figurehead. Gandois stumped out after his lobbying failed to divert the government from its 35-hour week legislation, ruefully remarking as he departed that he had been "more of a negotiator than a killer".

But the suave Ernest-Antoine Seillière, his likely successor, appears cast in a similar mould. Seillière, whose 60th birthday comes four days after his expected election on December 16, is best known as chairman of Compagnie Générale d'Industrie et des Participations, the French industrial holding company. It was CGIP's intervention last year in the Valeo saga which ensured that the respected car parts maker remained firmly in French hands.

He was a contemporary of Lionel Jospin, France's Socialist prime minister, at the elite Ecole Nationale d'Administration in the mid-1960s, and they later worked together at the Quai d'Orsay, the French foreign office, where they are said to have shared a phone.

However, Seillière is as capable as the next man of talking a tough game. In Besançon the other day, he even resorted to a martial arts metaphor, saying that combatting a strong prime minister was like trying to throw a bigger opponent at judo. Seillière may need a black belt.

Blueprint blues

■ When Congo's new government meets donor nations in Brussels this week to discuss rebuilding its crumbling infrastructure, some US executives will be struggling to swallow their disappointment.

Anxious for a share of the action, American construction company Bechtel offered President Laurent Kabila's cabinet a free $5m assessment of the country's reconstruction needs. The result is a glossy brochure that talks impressively of "clusters" of interlinking private and public development, though it's short on detail.

But in its aggressive sales pitch, Bechtel misjudged its audience. Kabila and many of his aides are acolytes of Patrice Lumumba, the post-independence socialist prime minister who flirted with the Soviet Union, fell foul of the CIA and was assassinated.

So the idea of entrusting the nation's future to a US company with a habit of recruiting top government aides was bound to meet with suspicion. One minister in Kinshasa dismissed the Bechtel plan as "a joke"; another claimed it was the sort of thing anyone could dash off after a couple of hours in a college library. Back to the drawing board, Bechtel.

Paan handle

■ You have been warned. Spit a *paan* – betel-leaf – around Karachi harbour and you might end up in jail. Taking on the centuries-old habit of chewing and spitting out *paan* isn't designed to win the Pakistani authorities many friends at home: it's all in aid of cleaning up the fish processing industry ahead of this week's visit by European Union inspectors.

It won't be easy to scrub up the fisheries to make sure the EU continues spending $50m a year on Pakistani fish. For one thing, most of the 4,000 boats working out of Karachi don't have freezers – at any rate, ones that comply with EU standards – let alone useful extras like navigational equipment.

Still, the industry is planning to put on its shiniest face: exporters have told staff to make sure that working clothes are spotless, that nails are scrubbed and hair is brushed and tied back. Worryingly, the round-the clock effort to clean up the fishing harbour includes using acid to eradicate those stubborn stains that have become ingrained over the years. So there's more than one reason for watching your step along the Karachi waterfront.

Big number

■ As though life isn't tough enough in New York, image-obsessed Manhattanites face a new headache. The city that never sleeps is running out of 212 area code telephone numbers – a set of "top dog" digits some believe sets them above everyone else.

Anyone who doubts the extraordinary *cachet* attaching to the prefix would do well to remember that fashion designer Caroline Herrera recently introduced a perfume called 212 – for the woman who "embodies the spirit of the 212 area code".

From next April, new Manhattan subscribers will get a 646 prefix, leaving the 212s to sneer at the hapless 646 *arrivistes*. No-one seems particularly pleased by the prospect. The 212s worry that moving house would take them into 646 territory; others fear paying a fat premium for premises with a 212 number. And everyone will have to use a 1-212 or 1-646 prefix to call the seven-digit local numbers: that's 57 per cent more local dialling time. Could be a sticky summer.

The Financial Times

100 years ago

Stale Eggs For Sale
We have had many curious novelties of late in the way of company promotion, but now company prospectuses are being warmed and served up a second time. One prospectus that comes up as an old friend is that of the Gas and Lighting Corporation (Mauritius) Ltd, which is being sent round as an advance document for private circulation only. The share capital is £100,000, and there is a Debenture capital of £30,000 – a capitalisation that strikes one as fairly liberal for the purpose of lighting the town of Port Louis.

50 years ago

French Strikes Worsen
Paris, 1st Dec. Troops took up guard over Paris broadcasting stations to-day, the few postmen working were each escorted by four or five gendarmes and the underground railway stopped running as strikes, now in their second week, spread throughout the country. After its almost non-stop 35-hour session, which adjourned last night, the National Assembly continued discussing the Premier's anti-strike Bill in an atmosphere even more turbulent than yesterday. At least four acts of railway sabotage were reported.

FINANCIAL TIMES
Tuesday December 2 1997

Fear of bailout delay drives won down against dollar

IMF insists no S Korea rescue deal yet in place

By Gerard Baker in Washington and John Burton in Seoul

The International Monetary Fund yesterday rejected claims by South Korea's finance minister that a deal had been struck on a rescue package for the world's 11th-largest economy.

Lim Chang-yuel, the Korean finance minister, announced early yesterday morning that terms had been agreed, following negotiations with a working-level IMF team.

But after talking to Mr Lim, Michel Camdessus, the IMF managing director, said: "Until the last 'i' is dotted, the agreement is not there."

The claim by Mr Lim of an early deal seemed designed to hasten the IMF into agreement. Seoul fears that, without a rapid IMF deal, dwindling foreign exchange reserves might lead to overseas loan defaults.

That would weaken Seoul's ability to resist IMF demands for the immediate closure of insolvent banks, a slowing of economic growth next year and government spending cuts to solve the nation's debt crisis.

Senior fund officials indicated that negotiations should be concluded within the next day or two. The broad outlines of the support package became clearer yesterday.

The deal will follow the blueprint for financial support laid out by officials of Asia-Pacific countries at a meeting in Manila two weeks ago. The bulk of the financing will come from the IMF and other multilateral lenders, with supplementary credit to be made available, if needed, by individual governments, notably the US, Japan, and perhaps other industrialised countries.

The IMF's level of support is likely to amount to about $20bn. Other multilateral lenders are now also in negotiation with the Korean government.

The World Bank yesterday said it would make a "substantial contribution" to the bailout. A Bank official said the Korean authorities had not initially sought support, but they had now asked for it and would get it. Bank assistance would be tied to financial market restructuring in Korea. The Asian Development Bank is expected to contribute.

The White House declined to comment on reports that the US and Japan would together add another $20bn, but President Bill Clinton said US and Japanese participation was highly likely, pending agreement between the IMF and Korea on a tough reform plan.

The Korean currency, the won, fell 2 per cent to Won1,187 to the dollar yesterday, reflecting fears that the absence of an IMF agreement would postpone an expected inflow of foreign currency. Interest rates jumped, and the Seoul stock market fell by 3.7 per cent to a new 10-year low of 393.16 points.

Learning wrong lesson, Page 6

KPMG and E&Y try to ease EC merger worries

By Jim Kelly, Accountancy Correspondent

Two of the four international accountancy firms seeking global mergers said yesterday they were prepared to give up self-regulation of the profession to win European Commission approval for their plans.

"Independent regulation could be an issue, and our position is that we would welcome that in the UK," said Mike Rake, the partner in charge of KPMG's merger talks with Ernst & Young. The two firms plan to file a merger submission to the Commission within 14 days.

Their proposed union – and that agreed by the partners of Price Waterhouse and Coopers & Lybrand – have raised fears that consolidation could endanger the independence of auditors in firms that also offer consultancy services.

In the US it is understood the four big firms are in talks with the Department of Justice over the planned mergers. Competitors fear they have offered regulators a "scope of practices" agreement to limit the non-audit services auditors could offer clients.

The decision of KPMG and Ernst & Young to raise the topic of regulation will dismay thousands of accountants who fear that Brussels may set up its own audit watchdog.

"This will cause a hell of a row," said one senior UK accountancy regulator. He added that Brussels might also consider imposing stricter rules on what services auditors could offer clients.

While both KPMG and Ernst & Young have favoured independent regulation in the past, their decision to broach the subject publicly will be seen as an attempt to placate Brussels.

"This just shows the big firms are on a different track from the profession. The fear is the firms are prepared to give a lot away to get regulatory approval," said one international financial regulator.

KPMG yesterday said it was on track to send out a detailed prospectus on its merger to partners in January with a vote in late February. Price Waterhouse and Coopers & Lybrand said partners had backed its plans by an overwhelming majority.

KPMG said it recognised Brussels had concerns about a possible duopoly in the audit market in the UK and the Netherlands if both mergers went through. "Our view is that the market will take care of that problem," said Mr Rake.

Ernst & Young yesterday announced that worldwide income had soared by 17.4 per cent in 1997 to $9.1bn – the third consecutive year of double-digit growth.

Shipping line alliance

Continued from Page 1

"This alliance will enhance our efficiency and our marketing clout." He added, however, that competition would remain tough, and the ability to increase freight rates would depend on the response of second and third-tier companies to the new alliance.

The Grand Alliance will operate more than 100 deep-sea container vessels with capacity of about 350,000 standard 20-ft containers. The main aim is to boost the Europe-Asia service but alliance members will also have operations in the Pacific and across the Atlantic.

Yesterday's deal confirms that alliances between large shipping lines are back in fashion after a period when full-scale mergers appeared set to replace them.

Alliances allow for common timetables and combined purchases of port, road and rail capacity at either end of voyages. Unlike shipping "conferences", the traditional way of agreeing capacity on selected routes, alliances do not involve price-fixing and have therefore not attracted the attention of competition regulators. They do not allow the cost-cutting that can result from a full merger, however.

Despite the benefits provided by the alliance the outlook for shipping rates remains gloomy. "On the Asia-Europe routes things have picked up slightly, but that is from horrible to awful," said Mr Wilkinson. "We are a long way from recovery."

Nazi gold report increases pressure on Swiss bankers

By David Buchan, Diplomatic Editor, in London

The Nazis took $146m in gold from Holocaust victims and others in Germany and occupied territories, according to a Swiss study published yesterday.

The report, by an international panel of historians appointed by the Swiss government, is the first attempt to calculate the amount of gold the Nazis looted from individuals, as distinct from governments.

The 23-page study, which says that Switzerland took in 76 per cent of all the gold transferred abroad by the Reichsbank, will inevitably put the spotlight on Switzerland at the 40-nation conference on Nazi gold which opens in London today.

The conference is to discuss whether Jewish and other victims of the Holocaust should receive further compensation from 5.5 tonnes of recovered gold still held by the wartime Allies.

The study also revealed that Swiss commercial banks handled $61.2m in gold from Nazi Germany, three times more than assumed. All gold valuations in the study are at 1945 values, and therefore significantly lower than today's.

This revelation will embarrass the three main Swiss banks, due to appear in New York next Monday to answer complaints that they are dragging their feet in disclosing Holocaust victims' bank accounts. New York city has announced it will not do any new business with Union Bank of Switzerland (UBS) and the state of California has blacklisted all three banks.

According to yesterday's report, Swiss Bank Corporation took in $36.6m in Nazi gold, Bank Leu (now a subsidiary of Credit Suisse) $12m, and UBS $8.5m. But these sums were dwarfed by the Swiss National Bank (SNB), which acted as buyer or intermediary for a total of $389.2m in gold from the Third Reich.

The historians' panel has said it would tackle the issue of whether the SNB or Swiss leaders knew the gold was looted in its next report, due out in spring 1998.

Switzerland has argued that, surrounded by Axis powers and at Germany's mercy, it had little choice but to deal extensively with the Nazis.

Yesterday's report identified at least $2.5m in gold taken by SS forces at camps in eastern Europe, $71.8m in gold under a programme that ordered everyone in Germany and occupied countries to sell the metal to the state, and a final $71.7m from other individuals.

Nazi haul added up, Page 3
Editorial Comment, Page 15

THE LEX COLUMN

A family affair

The notion that the world's second-largest carmaker could enter the next millennium chaired by a 40-year-old who runs an American football team sounds faintly ridiculous. Yet the betting in Detroit is that William Clay Ford Jr., a fourth-generation scion of the founding family and vice-chairman of the Detroit Lions, will take over as chairman when Alex Trotman, chairman and chief executive, retires at the end of 1999.

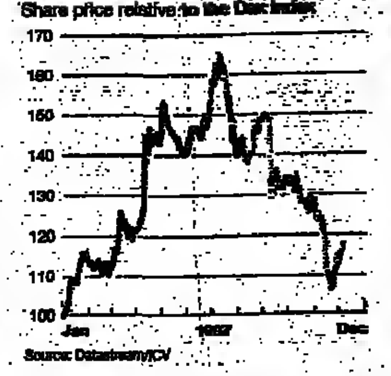
Mr Ford is not without qualifications. He is a main board director and chairman of Ford's influential finance committee, widely regarded as the group's "inner circle". He has also held various management positions within the business. Nor is there any suggestion that Mr Ford would actually run the company. The next chief executive is likely to be Jacques Nasser, the highly-regarded boss of the automotive operations.

None of that can disguise that Ford is still being run like a family company. Whatever his talents, Mr Ford would not be a candidate for the chairmanship if he did not have the right surname. At the heart of this lies Ford's outdated dual share structure. Because the Ford family owns all of the super-voting B shares, it controls 40 per cent of the votes even though it owns less than 10 per cent of the equity. That needs to change. An equitable share structure and modern corporate governance procedures should be an integral part of a well-run business, even one steeped in family tradition.

FTSE Eurotop 300 index: 959.45 (+17.0)

VW

Share price relative to the Dax index



Source: Datastream/ICV

Japan

The Organisation for Economic Co-operation and Development's cheerful 2 per cent growth forecast for Japan next year will fool nobody. The fact that the forecast was made some six weeks ago and drips with caveats offers some mitigation. But it smacks of the denial which Japan's own bureaucrats have pursued with such diligence in recent years. The true outcome is likely to be closer to zero. A better measure of the economy's health can be discerned from the Bank of Japan's activities: it has tolerated the yen falling to Y129 against the dollar, while energetically pumping liquidity into the economy by buying back government bonds.

Even the OECD is unable to conceal the gravity of Japan's problems. Short-term difficulties such as anaemic consumer demand and collapsing regional markets are piled upon structural shortcomings like over-regulation and strained public finances. This is an inauspicious backdrop for reform, as the financial sector crisis illustrates. Instead of presiding over orderly financial market deregulation, the government is having to stand aside as markets force a more brutal restructuring.

If there is consolation, it is that Japan is now likely to experience a rough and accelerated version of the sort of medicine long prescribed. Painful it will certainly be, but long-term it is good news. Meanwhile, pundits should not confuse a muddled renewal with collapse. Japan may be bloodied, but it is far from broken.

Volkswagen

The unpredictability surrounding VW these days suggests the company needs to spruce up its investor relations. Can it be explaining its strategy clearly if, in rapid succession, it is rumoured to be buying such different businesses as Rolls-Royce, Volvo, MAN and Scania? The postponed DM6bn-DM8bn rights issue, still lurking in the wings, is to blame. The attempt to railroad shareholders into raising funds for no identified purpose was a public relations fiasco which damaged the company and its advisers. By allowing rumours to swill around the marketplace, the company may hope to rebuild confidence through an ex post facto justification for the rights issue. If so, *it is not working.*

Its surprising expression of interest in Rolls-Royce may have been a ploy to enable it to stay abreast of trends in the luxury car market or to push up the price paid by the most likely buyer, BMW. Aims to expand commercial vehicles, probably in the heavy truck segment, are also of dubious value. Its light truck business is indeed low-margin. But making heavy trucks too will not necessarily help, given the different customer bases. VW could add little to Scania, which already enjoys strong margins. Meanwhile a link-up with Volvo would be complicated because of competition between the Swedish group's car business and VW's Audi arm. VW could probably only add value to MAN's low-margin truck business, but would hardly gain a significant presence in the segment.

Energis

Once upon a time Britain's National Grid was persuaded to string fibre-optic cables along its electricity pylons. The idea was that this would be a cheap way to compete with British Telecommunications. There was, after all, no need to dig up the roads. Now, £480m of investment later, Energis – as the Grid's telecoms arm is called – is to be floated. And the Grid hopes to achieve a valuation up to double what it has invested.

In itself, such a multiple is not extreme – especially if the Grid's pylons really give Energis a big cost advantage. The snag is that the pylons only provide a backbone. To connect customers, Energis will often have to dig up the roads and it is unclear that it will have any advantage in this incremental investment. Energis's other selling point, a state-of-the-art network, does not look sustainable either: rivals can buy the necessary kit on the open market.

New UK telecoms issues have recently had a chequered history, with Ionica and most cable television stocks flopping. In the circumstances, one might have thought Energis, which is not expected to turn profitable until 2001, would have been priced conservatively. At the top of the range, it is not. So, though the company is well managed, the shares are probably only worth a punt if sold near the bottom of the range. It is not even as if there is much chance of it being taken out at a fancy premium – the Grid's continuing majority stake *will deter predators.*

Additional Lex comment on Liberty, Page 24

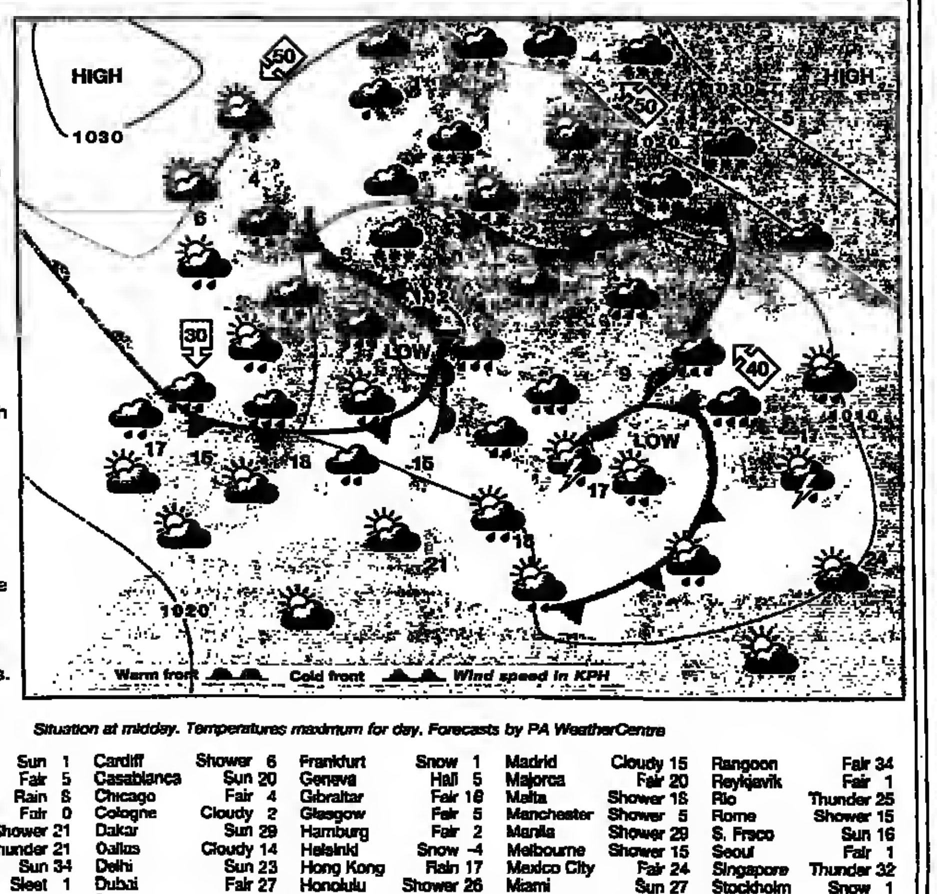
FT WEATHER GUIDE

Europe today

Much of Scandinavia will stay below freezing, apart from the far south where there will be rain. Elsewhere it will snow, except over northern Finland. Central and western Europe will have light rain but significant snow is likely in northern Germany, the Low Countries and across the Alps. The south and east of the Iberian Peninsula will stay fine with some sun but cloud will tend to increase. The north and west will become wet with heavy rain near northern coasts and the Pyrenees. The central and eastern Mediterranean will stay showery with some thunder.

Five-day forecast

More rain will spread across the Mediterranean followed by colder, brighter weather with just a few showers. Further heavy rain is likely before the weekend. Most of Europe will stay cold. There will be outbreaks of rain in the south but snow is more likely across the east and north and in some central areas.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	Sun 1	Cardiff	Shower 6	Frankfurt	Snow 1	Madrid	Cloudy 15	Rangoon	Fair 34
		Belfast	Fair 5	Casablanca	Sun 20	Geneva	Hail 5	Majorca	Fair 20	Reykjavik	Fair 1
Abu Dhabi	Sun 26	Belgrade	Rain 8	Chicago	Fair 4	Gibraltar	Fair 16	Malta	Shower 18	Rio	Thunder 25
Accra	Fair 31	Berlin	Fair 0	Cologne	Cloudy 2	Glasgow	Fair 5	Manchester	Shower 5	Rome	Shower 15
Algiers	Fair 23	Bermuda	Shower 21	Dakar	Sun 29	Hamburg	Fair 2	Manila	Shower 29	S. Frsco	Sun 16
Amsterdam	Cloudy 3	Bogota	Thunder 21	Dallas	Cloudy 14	Helsinki	Snow -4	Melbourne	Shower 15	Seoul	Fair 1
Athens	Fair 17	Bombay	Sun 34	Delhi	Sun 23	Hong Kong	Rain 17	Mexico City	Fair 24	Singapore	Thunder 32
Atlanta	Fair 14	Brussels	Sleet 1	Dubai	Fair 27	Honolulu	Shower 26	Miami	Sun 27	Stockholm	Snow 1
B. Aires	Fair 25	Budapest	Rain 6	Dublin	Hail 5	Istanbul	Shower 15	Milan	Rain 9	Strasbourg	Snow 2
B.ham	Sleet 4	C.hagen	Cloudy 3	Dubrovnik	Thunder 15	Jakarta	Thunder 32	Montreal	Shower -1	Sydney	Fair 26
Bangkok	Fair 36	Cairo	Sun 24	Edinburgh	Fair 6	Jersey	Shower 9	Moscow	Snow -5	Tangier	Fair 19
Barcelona	Fair 16	Caracas	Fair 31	Faro	Fair 19	Johannesburg	Shower 15	Munich	Rain 2	Tel Aviv	Fair 24
						Karachi	Sun 29	Nairobi	Thunder 24	Tokyo	Rain 13
						Kuwait	Fair 21	Naples	Shower 16	Toronto	Fair 5
						L. Angeles	Fair 18	Nassau	Fair 28	Vancouver	Cloudy 9
						Las Palmas	Fair 25	New York	Sun 7	Venice	Cloudy 10
						Lima	Cloudy 24	Nice	Fair 14	Vienna	Drzzl 4
						Lisbon	Fair 17	Nicosia	Thunder 20	Warsaw	Rain 4
						London	Sleet 5	Oslo	Snow 1	Washington	Sun 12
						Lux.bourg	Snow 0	Paris	Sleet 3	Wellington	Shower 19
						Lyon	Hail 6	Perth	Fair 28	Winnipeg	Snow -3
						Madeira	Shower 21	Prague	Snow 1	Zurich	Sleet 3

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday December 2 1997
Week 49

INSIDE

Caterpillar in expansion mood

Caterpillar, the world's largest construction equipment manufacturer, is launching a range of compact building equipment, attacking a market in which Japanese makers have traditionally been strong. The company is also renewing its push into China and other developing countries where rapid growth in demand for construction equipment is expected. Page 22

AGF chief pleased with Allianz deal

Antoine Jeancourt-Galignani, the chairman of French insurer AGF and an outspoken advocate of Anglo-Saxon style capitalism, sees no need to retract his views following the defensive "white knight" takeover of his group by Allianz of Germany. He says the deal he negotiated with Allianz – in response to a hostile FFr55bn ($9.3bn) bid by Generali of Italy – has been in the interests of his investors. Page 21

Portugal earns developed market status

Portugal officially comes of age as a developed market today when it joins Morgan Stanley's MSCI Europe index. Promotion to the MSCI caps a remarkable period of earnings growth – the Lisbon stock market has gained almost 95 per cent since the beginning of 1996. Page 38

VSNL struggles for its independence

VSNL, India's international telecommunications company, is locked in a struggle with the country's Department of Telecommunications to win approval for a hoard shake-up that will give the group commercial autonomy. Page 18

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 28

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Didier Werke	147.8	+	21.2
Schneider Rud	320.0	+	40.0
Karstadt	659.0	+	46.0
Falls			
Tarkett	37.0	−	2.5
Hucke	37.0	−	2.5
Ahlers Adolf	460.0	−	15.0
NEW YORK ($)			
Rises			
BankAmerica	77⅝	+	4⅝
Dayton Hudson	71	+	4⅛
Fst of Amer	72⅛	+	13⅛
Falls			
Natl Oilwell	28½	−	3⅛
Tuboscope	21⅛	−	3½
Warner Lambert	115½	−	24¾
LONDON (Pence)			
Rises			
Dart	306½	+	30½
Morris Ash.	390½	+	45
Strategem	70	+	6½
UDO	182½	+	22½
Falls			
Calluna	20	−	4
Ennstone	48½	−	9
TORONTO (C$)			
Rises			
Cognicase	15.5	+	1.5
Fairfax Fin	330.0	+	30.5
ODonnell Inv	13.75	+	1.5
Falls			
Can World Fd	4.0	−	0.8
Globex Mining	1.8	−	0.7
Imaco Inc A	3.5	−	0.75

PARIS (FFr)			
Rises			
Fraikin	20.0	+	3.4
Taittinger	3310.0	+	298.0
Cycnos	28.0	+	2.4
Falls			
Med Livres	34.0	−	3.9
BNP	85.0	−	10.0
Fichet Bauche	34.5	−	3.5
TOKYO (Yen)			
Rises			
Asatsu Inc	2470	+	250
Sankyo	2340	+	290
Shimamura	2980	+	390
Taiyo Yuden	1350	+	130
Falls			
CMK Corp	1480	−	80
Nagatanien	710	−	70
HONG KONG (HK$)			
Rises			
China Light	40.1	+	1.1
China Mtr Bus	74.0	+	2.0
HSBC Hldg ($)	190.5	+	4.0
Hang Seng Bk	70.25	+	2.25
Hutch Whmp	33.5	+	2.0
Realty Dev A	22.0	+	1.35
BANGKOK (Baht)			
Rises			
Int Far East	20.0	+	3.25
Ramkamhaeng	14.0	+	2.25
Safari World	14.75	+	3.25
Falls			
Land & House	11.0	−	4.5
Saha Pat Int	44.5	−	18.0
Thantawan	82.5	−	22.5

New York and Toronto prices at 12.30pm.

Shares hit by drug recall

Warner-Lambert and Sankyo see falls after Glaxo withdraws diabetes remedy

By Daniel Green and Paul Abrahams in Tokyo

Shares in Warner-Lambert, the US drug company, and Sankyo of Japan fell sharply yesterday when Glaxo Wellcome of the UK withdrew a new diabetes drug from the market following reports of liver problems in patients.

Warner-Lambert has US marketing rights for the drug and sells it as Rezulin. Sankyo invented it, under the chemical name of troglitazone.

Warner Lambert shares had fallen $25⅞ to $114⅝ by mid-session in New York. Sankyo shares fell Y20 to Y4050 on an otherwise good market day.

Glaxo shares were up by 40p to 1340p in a rising market but failed to make up the fall they suffered on Friday for reasons relating to the new stock trading system in London.

Glaxo said it withdrew the drug, which it had been selling as Romozin since October 11, because it needed time "to evaluate further the safety profile of troglitazone".

But Warner-Lambert, which has been selling it since April, said it would not withdraw it, citing US Food and Drug Administration figures showing about 150 "adverse events" and three deaths out of 800,000 people treated.

The FDA, which oversees the US drugs markets, said doctors should increase monitoring of patients, and said the potential for liver damage should be more prominently shown on packaging.

Last month both Glaxo and Warner wrote to doctors following early reports of liver problems among a small number of patients.

One senior industry figure said it was commercially easier for Glaxo to withdraw the drug because, although important, Rezulin was not vital to its prosperity. However, it held out the prospect of transforming the fortunes of Warner Lambert and Sankyo.

Stuart Adkins, pharmaceuticals analyst at Lehman Brothers, said: "Troglitazone is worth one per cent of the value of Glaxo's share price, according to our net present value model, whereas for Warner Lambert it is about eight per cent."

Mitsuo Ohmi, pharmaceuticals analyst at Dresdner Kleinwort Benson, had expected the drug, known in Japan as Noscal, to become Sankyo's second most important medicine, generating sales and royalties of Y60bn ($468m) by 2000. That would have represented about 10 per cent of the group's pharmaceuticals turnover.

"Our assumption is that sales will continue in the US and Japan, but there is undoubtedly a risk that it will be withdrawn. It is very strange that Glaxo-Wellcome has pulled the drug while Sankyo and Warner-Lambert continue to market it," said Mr Ohmi. He estimated the drug would have had US sales of $880m this year.

Troglitazone works by making the body more sensitive to insulin that is already present, rather than artificially boosting levels of the hormone.

Fashion houses face market dilemma

Luxury groups divided over the best method of funding expansion

The fickleness of fashion

For more than a year the share price of Vendôme, which owns a string of luxury labels including Cartier, Chloé and Piaget, has fallen steadily. Last week Richemont, its Swiss parent company, decided to do something about it.

Richemont, a conglomerate controlled by the Rupert family of South Africa, has offered to buy the 30 per cent of Vendôme it does not already own for $1bn. Johann Rupert, chief executive, says Richemont intends to invest heavily in Vendôome's hrands, for instance by expanding Chloé following the appointment of Stella McCartney as chief designer. He believes this will be easier if the company returns to private ownership.

While Vendôome prepares to retreat from the rigours of stock-market scrutiny, other luxury brand names – including Gianni Versace, Giorgio Armani and Gianfranco Ferre, the Italian fashion houses – are considering going public.

The proposed flotations and Richemont's apparently contradictory decision to go private highlight a growing debate within the luxury goods industry. It may be tempting for the owners of famous brand names to cash in their investments and raise capital to finance expansion, but are such companies suitable for public quotation?

Mr Rupert suspects not. "All our brands, even Cartier, will require a lot of investment over the next 10 to 15 years," he says. "As a family-controlled company we can afford to take a long-term view, but I don't think the City is willing to." The performance of Vendôme's shares, which peaked at 635p in June 1996 before tumbling to 307p last month, appears to support his view.

Other publicly qnoted luxury companies have also seen their shares perform poorly, mainly because the investment community is sceptical about their ability to sustain long-term growth in a notoriously volatile market.

Investors are still haunted by the memory of the luxury goods groups that flourished in the 1980s only to flounder in the early 1990s recession, notably Calvin Klein and Yves Saint Laurent, both of which came close to collapse.

When the global luxury market returned to growth in the mid-1990s, a new wave of companies went public including Gucci, Donna Karan, Bulgari and Ralph Lauren. Yet there is little evidence to suggest investors have lost their old nervousness about them.

Donna Karan confirmed the market's worst fears by running into trading difficulties shortly after floating in June 1996. The shares peaked at $28 on their first day of trading, but fell to $9.13 in April and have remained weak, while new management has tried to restructure the business.

Karan's problems are largely a reflection of the old management's mistakes, yet Gucci's shares have also tumbled, even though the company prodnced consistent profit rises since its 1995 flotation.

In Scptemher, Gucci annonnced profits growth would be lower than expected for the second half because of adverse exchange rates and depressed demand in Asia. Its shares almost halved from $58.25 the day hefore the announcement to $31.88 last month.

Gucci's shares have rallied, hnt only hecanse of bid rumours. Domenico De Sole, president, says there is "absolutely no evidence" to support the speculation. However, Gucci's management is so concerned that last week it announced proposals to buy back up to 5 per cent of the gronp's shares (all are in public issue) for abont $120m.

Patrizio Bertelli, president of Prada, the successful Italian fashion house, recently told a conference he did not believe luxury companies should go public. He shares Mr Rupert's view that such businesses require a longer-term investment approach than the stock market will tolerate, and claims negative pnblicity abont a company's financial performance can imperil brand perception.

"He's right," says Mr Rnpert. "The stock market doesn't understand these companies. Look at Chanel. Alain Wertheimer (whose family owns it) could have sold ont a hundred times. But be hasn't, and Chanel has still done very well."

Alice Rawsthorn

EDS plans to employ Yamaichi affiliate's entire staff

By Michiyo Nakamoto in Tokyo

Electronic Data Systems, the world's largest information services provider, is poised to hire 600 employees of a Yamaichi affiliate, following last week's closure of Yamaichi Securities.

The move by the US company, which would have been unthinkable in Japan's rigid labour market of a few years ago, reflects the changes sweeping the economy as weaker companies in hitherto protected industries succumb to market forces.

Last month's failures of Hokkaido Takushoku Bank, Sanyo Securities, Tokuyo City Bank and Yamaichi Securities are also expected to have a large impact on the labour market and provide foreign companies in growing sectors with the human resources needed to support expansion in Japan.

The 600 employees from Yamaichi would outnumber EDS's present 400 employees in the country.

Yamaichi Securities and its affiliated companies are looking for companies willing to hire about 10,000 employees.

EDS said it planned to hire the entire staff of Yamaichi Information Systems, which provides systems integration services. Negotiations were continuing and the companies hoped to reach an agreement by the end of the month.

EDS said it had responded to Yamaichi's search for a company to take on its employees as a group as a means to expand, particularly in the financial sector.

"We have been working as a team – and that is our strength – so we wanted to stay together," said a Yamaichi official.

EDS, which is expected to maintain wage levels for the incoming staff, said it was not particularly concerned about their number.

Since setting up a subsidiary in 1986, EDS has not been prominent in the Japanese market. While outsourcing of information management has been a growing market in the west, Japanese companies have been suspicious of handing over databases to outside companies, said David Keller, industry analyst at AMI, an industry consultancy.

NatWest set to announce sale of equities businesses

By Jane Martinson, Investment Correspondent

National Westminster Bank, the UK retail bank, is expected to announce as early as today the sale of the equities businesses of NatWest Markets, its investment banking arm, for £150m-£200m ($250m-$334m).

Bankers Trust, the US bank, is expected to pay £100m-£150m for NatWest's UK and continental European equities business, while Deutsche Morgan Grenfell, which is owned by Deutsche Bank, will buy the smaller derivatives husiness for about £50m.

The price is understood to represent a premium to net asset value, in contrast to last month's sale of parts of BZW, the investment banking arm of Barclays, the UK retail bank.

A banker close to the deal said last night that the derivatives business had been loss-making. "Securities is losing a bundle," he said.

However, DMG is understood to be confident that the part of the business it is buying is solid.

NatWest will fold the remaining debt business into Greenwich Capital, the US business it bought last year.

The bank is also expected to reaffirm its long-term commitment to its corporate advisory business. In the past two years it has bought two mergers and acquisitions boutiques – Hambro Magan in the UK and Gleacher in the US.

However, one investment banker employed by NatWest qnestioned the rationala of this move. "It isn't a very logical decision. They should sell it to a third party who is prepared to commit to it, or give it to employees to run."

Bankers and DMG were understood to have attempted to renegotiate the price over the weekend. All three sides were still discussing final details last night.

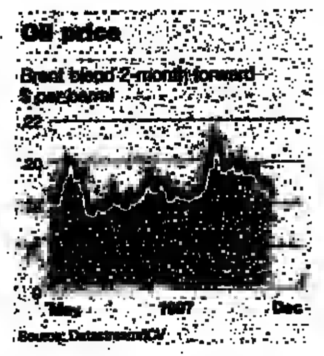
None of the banks involved would comment. However, a source close to the Bankers team said the acquisition filled in a "missing piece of the puzzle". The US group is much stronger in fixed income, leveraged lending and mergers and acquisitions than equities. The NatWest business gives it a firm footing in the UK and other parts of Europe.

Few redundancies are expected. The deal will increase the number of Bankers' employees by more than 1,000.

DMG is set to take on 250 employees, mostly in the US.

Oil prices fall after quota rise

By Gary Mead in London



International oil prices fell yesterday in the wake of the decision by the Organisation of Petroleum Exporting Countries to increase production quotas by 10 per cent, from 25.03m barrels a day to 27.5m.

On the International Petroleum Exchange in London the international bellwether, Brent crude oil for January delivery, fell at one point $1.03 to $17.95 a barral, the first time since June it has dropped below $18.

It later recovered to $18.17 a barrel. On the New York Mercantile Exchange, January dated crude was 46 cents lower at midday, at $18.69 a barrel.

"Like generals who are always fighting the last war, the Opec ministers are not good at timing," said Robert Mabro, director of the Oxford Institute for Energy Studies yesterday.

He calculated that under the new quota system Opec would in fact be prodncing about 28.8m b/d in 1998. "Even discounting weakness in Asia, demand in 1998 is estimated to grow by not more than 2m b/d, yet global supply will probably increase by as much as 2.7m b/d," Mr Mabro added. "We are headed for a significant imbalance, unless Iraq rejects its oil-for-food deal with the UN."

The UN agreement, which comes up for renewal on Friday, allows Iraq to export oil to the value of $2bn every six months. The UN has already said it is willing to permit a higher value of exports for the next period, which analysts said would further depress oil prices.

Commodities, Page 28

Prosecutor set to question Trustor chief

By Jimmy Burns in London and Tim Burt in Stockholm

The Swedish state prosecutor is today expected to question in London Lindsay Smallbone, a close associate and former managing director of Trustor, the Swedish investment company at the centre of a SKr630m ($81.48m) fraud inquiry.

The prosecutor, Bo Skarinder, who has been working closely with the UK Serious Fraud Office, obtained permission for the interview from the British authorities earlier this week.

Mr Skarinder is thought to have also asked to question Lord Moyne, who acquired control of Trustor in the summer and is a close associate of Mr Smallbone, although the interview is not expected until later this week.

Mr Smallbone and Lord Moyne have denied any wrongdoing in their financial dealings at Trustor, and are holding the Swedish associates responsible for the affair. They have made themselves available for questioning in the UK.

Neither was present yesterday, however, at an extraordinary general meeting in Stockholm where minority shareholders in Trustor voted to seek compulsory liquidation of the group. Investors attending the meeting were told by lawyers acting for the shareholders that Lord Moyne, Trustor chairman, had personally approved the transfer of SKr620m in assets to a bank account in London, of which all but SKr135m had disappeared.

Lord Moyne told the Financial Times last week: "I may have put my signature to bits of paper giving instructions of that sort."

Shareholders in Stockholm voted in favour of liquidation – involving the removal of Lord Moyne from the board – after hearing that it offered the best prospect of recovering the company's assets.

Two Trustor employees have been arrested on suspicion of aiding a breach of shareholder trust.

Yesterday's meeting was also told that Trustor was close to disposing of its main two operating subsidiaries in a deal that would further bolster its depleted assets.

AP Parts International and United Parts Group, two automotive components companies, are expected to be sold for a total of SKr690m. Björn Björnsson, Trustor managing director, declined to name the buyers.

He said the disposal strategy adviser was Charterhouse Development Capital, the venture capital arm of Charterhouse Bank of the UK, which holds a minority stake in both companies.

Meanwhile, lawyers acting for Trustor's largest institutional shareholders said they would continue with attempts to retrieve SKr417m of company funds which are the subject of a legal battle in Luxembourg. They reiterated that the money had been transferred to a Trustor account in Luxembourg from a Cayman Islands account held by Lord Moyne. He has denied direct involvement in the transaction. Lawyers appointed by Lord Moyne to represent him at yesterday's meeting made no comment.

Paribas moves to protect its empire

Buy-out of minorities in two subsidiaries should reinforce French bank's financial strength

The Empire Theatre in Paris seemed a suitably grandiose address for Paribas, the French banking group, to announce the latest step in its evolving corporate structure.

But there was little drama or surprise in the decision by the group to launch a FFr25.2bn ($4.3bn) buy-out of the minorities in two of its most profitable subsidiaries – Cetelem, the consumer finance business, and Compagnie Bancaire, the specialist financial services group.

The question many observers of the country's banking sector were posing was rather why Paribas had not acted more quickly, having for many years held a large but minority stake in Compagnie Bancaire.

The first sign of change came in May, when the group declared it had acquired a majority of the shares – 50.2 per cent. That came after substantial restructuring provisions at Compagnie Bancaire taken last year, which pushed it into losses of FFr1.2bn for 1996.

Paribas itself also had considerable house-keeping to do before it could undertake such a significant acquisition. After unveiling provisions which dragged it into losses of FFr4bn in 1995, it unwound its costly cross-shareholdings with the holding company Navigation Mixte by absorbing and selling much of the group.

It took the decision to withdraw from retail banking, selling Banque Ottomane, Crédit du Nord and Paribas Belgique. It has also sold FFr15bn in equity investments, helping to generate a considerable cash pile for purchases.

André Lévy-Lang, chairman of Paribas, estimates that acquiring full control, and integrating the two businesses fully into a new, single and simplified quoted company, should generate FFr300m in synergies in 1998 and FFr1bn a year later.

Synergies snapshot

Estimated impact on earnings FFr m	1998	1999
Additional net income Compagnie Bancaire and Cetelem*	1,404	1,643
Quantifiable synergies	300	1,000
of which: enlarged distribution capability		60
streamlining of central functions		80
co-ordinated purchasing		180
centralised group funding		220
optimisation of financial management		460
Financing costs**	-266	-274
Subtotal before goodwill amortisation	1,438	2,369
Amortisation of goodwill***	-220	-220
Total impact of operation	1,218	2,149

* based on general market consensus (Source: IBES) **FFr 7.6% at 5% after tax ***reflecting goodwill of FFr 4.4bn amortised over 20 years. Source: Paribas.

Coupled with additional profits, net of financing and depreciation charges, the two acquisitions should contribute FFr1.2bn to an estimated net income for 1998 of FFr6.2bn, and FFr2.2bn for a total of FFr7.7bn in 1999. He says this performance should allow Paribas to achieve its objective of a 15 per cent return on equity by 2000.

The two purchases should have the effect of reinforcing the group's financial strength, providing probably the best defence from raids by creating a more fully-valued business.

Nevertheless, some raise questions over how easy it will be to integrate the operations into a single entity. "The two cultures are very different, and Compagnie Bancaire is much more dynamic," says a former senior executive. Equally, Paribas has long been known for the autonomy of its "barons" and their jealously-protected divisions.

Yet Mr Lévy-Lang knows Compagnie Bancaire well: he worked in the business for more than a decade, becoming its managing director before taking over at Paribas. Bernard Muller, the current chairman, was appointed by him and now joins the group board. Elsewhere, he has nominated his own allies to senior positions.

That leaves one other doubt, often voiced by its rivals: whether Paribas is large enough to compete with other investment banks in a sector that is consolidating fast. Executives have decided against a US acquisition, considering current prices to be too high. But they stress that by focusing on certain profitable niches, they can survive and thrive.

Meanwhile, the group yesterday indicated a healthy appetite, as well as the financial capacity to grow interally or through acquisitions. It said it planned FFr10bn in disposals over the next two years, as well as the issue of preference shares and securitisation which should boost its war chest. The Paribas empire may well be set to expand significantly.

Andrew Jack

See Lex

Telecom Italia to buy into Unisource alliance

By Gordon Cramb in Amsterdam

Telecom Italia will take a stake of up to 30 per cent in AT&T-Unisource, the joint venture linking US and European telecommunications groups, as part of a deal to include Italy's privatised carrier in the alliance.

Paul Smits, Unisource president, said yesterday the agreement reached this summer was intended to be completed by the end of the year, "though it could be January".

The Italian company's activities in the business market for value-added voice and data services would add about a third to AT&T-Unisource's revenues, which Mr Smits said would this year reach Fl 650m ($325m).

Unisource itself would break even by around the end of 1999, be added, reiterating that net losses this year would be lower than the Fl 375.4m reported for 1996.

The arrival of Telecom Italia, in which the Italian government sold its remaining stake last month, means AT&T will reduce its stake in the transatlantic venture from 40 per cent to 30 per cent. Unisource – which currently groups KPN of the Netherlands, Sweden's Telia and the Swiss PTT – would see its 60 per cent holding fall to 40 per cent.

Although the accord did not involve the Italian group becoming an equity partner in Unisource itself, Mr Smits did not exclude such a move in the future. "The logical next step is an increased involvement with each other," be said. "Whether we have three shareholders or four does not matter any more."

The revenues from the Italian group will restore growth prospects, which were dealt a blow when Telefónica of Spain withdrew from Unisource, choosing Concert, the alliance between BT of the UK and MCI, the US group. Concert was subsequently disrupted by a bid battle for MCI.

"This is a cost and volume game, and they are bringing a lot of volume," Mr Smits said of Telecom Italia. On the cost side, Unisource had committed Fl 600m-Fl 700m to strengthening a European telecoms "backbone" to provide faster data traffic for its customers, which include internet service providers.

Consortium to increase stake in Grundig to 95%

By Graham Bowley in Frankfurt

The consortium of Bavarian banks, insurance companies and private investors hoping to rescue Grundig, the troubled German consumer products group, said yesterday it would double its stake in the company to about 95 per cent in the next few weeks.

The consortium, which bought a 43 per cent stake earlier this year from Botts & Company, the London investment bank, would acquire the 52 per cent stake held by the Max Grundig Foundation, the Bavarian finance ministry said.

The stake would be transferred to the consortium via Philips, the Dutch electronics group which cut its holding and withdrew management control of Grundig earlier this year after heavy losses at the German company. Philips is to retain a 5 per cent share.

Otto Wiesheu, Bavarian finance minister, said the consortium, which was arranged by the Bavarian state government, would invest DM134m ($76.8m) in the company and make DM133m available in credit.

Burkhard Wollschläger, supervisory board chairman, said Grundig would break even next year and forecast a return to profit in 1999.

This year's loss was put at around DM120m after a loss of around DM400m in 1996. Grundig would make further cuts in its workforce from around 6,000 at present to about 5,000.

Grundig, which makes consumer audio and video products, is based near Nuremberg in Bavaria. It has suffered continued losses because of high German labour costs and competition from cheaper Asian imports.

Philips cut Grundig loose in January after refusing to continue to cover its losses. In August, the two groups settled what had become a bitter dispute over the extent of Grundig's losses.

The identities of the members in the consortium were yesterday revealed as: Anton Kathrein, a satellite antenna manufacturer; Mr Wollschläger; and board members Herbert Bruch and Manfred Bartl.

It also includes Bayerische Vereinsbank, Bayerische Hypobank, Bayerische Landesbank, Schmidt-Bank, Munich Re, Allianz and the Landesanstalt für Aufbaufinanzierung.

EUROPEAN NEWS DIGEST

Cegetel postpones fixed-line service

Cegetel, the telecommunications arm of Générale des Eaux which is expected to emerge as France Telecom's main competitor when the $30bn French market is fully liberalised in January, is to open its fixed-line service to the general public a month later than anticipated, on February 1. Jean-Marie Messier, Générale des Eaux chairman, yesterday blamed the postponement on the need for more network tests.

"To test the integration of our network with that of France Telecom, we asked the public operator to do 700,000 test calls in December. It only authorised us to make 2,000. Wa therefore decided to postpone until February 1 the opening of our service to the general public." France Telecom described this as "an alibi to explain internal delays at Cegetel". Cegetel's service will be available to users in the Paris, Lyons and Lille areas – 40 per cent of French telephone subscribers – from February 1 and throughout France from May 31. The company said tariffs would be at least 10 per cent cheaper than those of the former monopoly operator. Users will be charged a FFr10 a month subscription. *David Owen, Paris*

■ ISRAEL

Koor falls at nine-month stage

Koor Industries, Israel's largest conglomerate, yesterday reported a 22 per cent rise in net income for the third quarter amid disappointing nine-month results. Net income for the nine months fell from $154.5m to $130.3m, or $8.58 an ordinary share, compared with $10.19 last year. This year's figures include a gain of $36m from selling stakes in food, electrical appliances and machine tool businesses.

Earnings per American Depositary Share – one ordinary share equals five ADSs – fell from $2.04 to $1.72. Revenues rose 3.1 per cent from $2.65bn to $2.73bn. Net income for the third quarter rose from $31.34m to $38.2m, on sales up 2.7 per cent to $868m. Earnings per ordinary share rose from $2.07 to $2.53, while earnings per ADS climbed from $0.41 to $0.51. Growth was driven by Makhteshim-Agan, Koor's agrochemicals division, and Tadiran, its telecommunications and electronics unit which last week reported a 75 per cent rise in earnings.

Yesterday's statement coincided with a decision by Koor to acquire 10.66 per cent of ECI Telekom, the Israeli telecoms company owned by the Claridge Group. In exchange, Claridge will lift its stake in Koor by 9.6 per cent to 35.4 per cent. *Judy Dempsey, Jerusalem*

■ RETAIL

Schroder Ventures buys Vögele

Vögele Group, the privately-owned Swiss clothing retailer, yesterday sold out to Schroder Ventures, the UK venture capitalist, in a deal valued at SFr1.25bn ($893m). Charles Vögele, who founded the business in the early 1960s, will step down as chairman. His two sons remain on the board. The deal involves Schroder taking 85 per cent of the equity, 10 per cent staying with the family, and 5 per cent going to Urs Meile and Peter Graf, the two non-family board members. Thomas Krenz, partner at Schroders & Partner in Frankfurt, said it was "an extremely well-run business" that could be floated, probably in Zurich, within three years.

Katharine Campbell, Growing Business Correspondent

■ INSURANCE

Toro to raise L600bn

Toro Assicurazioni, the insurance company controlled by Italy's Fiat automotive conglomerate, is to raise about L600bn ($351m) through an equity and warrant issue to finance its investment in a core shareholding stake in Banca di Roma. Tha insurance group is taking an 8.3 per cent stake in Italy's second largest banking group, which is being privatised.

Toro is acquiring L300bn worth of new Banca di Roma shares as well as subscribing L400bn to a Mediobanca bond issue convertible into Banca di Roma shares. The insurer is raising about L405bn with the issue of new ordinary, privileged and savings shares. The ordinary shares have been priced at L15,200; the privileged and savings shares are L6,500. All shares are being offered on the basis of three new shares for every 10 held. Each three new shares will carry a warrant giving shareholders an option to subscribe to an additional new ordinary share during the next three years. The exercise of these warrants will raise a further L200bn. *Paul Betts, Milan*

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[redacted]LESS[redacted] IS [redacted] MORE

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Investor enthusiasm spurs Madrid's privatisation programme

Strong demand for Aceralia

By Tom Burns in Madrid

Strong domestic demand for Aceralia, Spain's integrated steel group which completes its privatisation next week, has fuelled the Madrid government's plans for further disposals next year.

Applications from retail investors for Aceralia were understood yesterday to have represented some Pta7,000bn ($46.9bn), more than eight times the total offered to small domestic investors.

The bids came from 280,000 Spaniards, a figure that comfortably surpassed the government's target for a wide distribution of the steel group's shares.

Individual investors have flocked to the privatisations this year of Repsol, tha energy conglomerate and of Telefónica, the telecommunications operator, as well as the partial privatisation of Endesa, the power group.

Their response to Aceralia has set the stage for a second round of big disposals in 1998.

The privatisation calendar next year will includa the sale of about 20 per cent of Endesa, which is still 41 per cent state owned, in the first half of the year and the full privatisation of Argentaria, the banking group in which the government controls 25 per cent.

The Argentaria disposal is provisionally scheduled for January-February and the Endesa offering is likely to take place in May.

In the second half, the government plans to sell the 52 per cent stake it owns in Tabacalera, the tobacco manufacturer and distributor, and it could also complete the full privatisation of Endesa.

Privatisations are an important ingredient of the "peopla's capitalism" platform which was ushered in by the centre-right Popular Party when it was alected last year.

The sales will ease the burden of the central government budget as it seeks to reduce its deficit to comply with European Monetary Union guidelines.

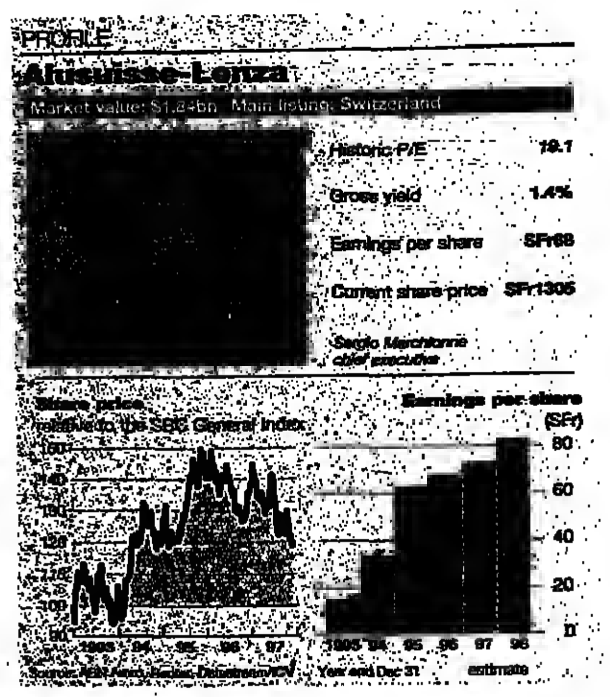
The planned 1998 disposals, added to those completed this year, will earn Sepi, the state industrial holding, revenues of more than Pta2,000bn, which will be put aside to restructure state-owned lossmakers in the mining, shipbuilding and arms manufacturing sectors.

The sale of the remaining 52.8 per cent of Aceralia owned by Sepi follows the acquisition of a 35 per cent stake in the steel group by Arbed of Luxembourg in July and the disposal of further stakes to domestic industrial partners.

The privatisation, the last by a big European steel group, is aimed primarily at retail investors who are *being offered close* to 70 per cent of Sepi's equity.

A-L aims to create value from diversity

Sergio Marchionne prefers to exploit synergies rather than break up Swiss conglomerate



Conglomerates are out of favour, and Sergio Marchionne says it would have been easy to give in to siren calls to split up Alusuisse-Lonza after he took over as chief executive in April. Investment banks from the US and Europe were touting schemes that would "enhance shareholder value" by breaking up the diversified Swiss group.

Instead, the directors announced in July their "commitment to Alusuisse-Lonza's highly diversified industrial status". However, A-L needed a different structure. Anticipating initial market disappointment, Mr Marchionne also revealed he had set the group some aggressive targets: compound earnings growth of 10 per cent a year until 2002 and a near-doubling of sales, from SF8bn to SF15bn ($10.5bn), in that time, partly via acquisitions.

Mr Marchionne sometimes wonders why he is pushing himself and the group's 30,000 employees so hard. "I could have sat back, kept things ticking over and had a perfectly respectable, average company," he says. He resisted that temptation because "we firmly believe that our management skills – both those we have today and those we are developing – can not only deal with diversity but can also yield optimal performance out of our businesses".

He supports this view by pointing out that "the world's most valuable company", General Electric of the US, is a vast conglomerate with interests from aircraft engine manufacturing to television broadcasting. Nevertheless, under Jack Welch, its charismatic chairman, it has proved remarkably nimble in rethinking and restructuring its businesses in pursuit of higher margins and earnings.

Mr Marchionne is one of a growing circle of non-Swiss executives at the helm of soma of Switzerland's big companies. He is a Canadian barrister and accountant, aged 44, who joined A-L in 1994 after its US$555m acquisition of Lawson Mardon, a Toronto-based international packaging group, where he was chief financial officer. His move to the top at A-L was helped by the departure of two potential rivals: Georges Schorderet, who moved to Swissair; and Dominique Doman, deputy chief executive.

Now that he holds tha reins, does he see himself as another Jack Welch in the making? "There is no shortage of managers. The world has plenty of MBAs. But there are not enough leaders," he says, admitting that he might eventually fall flat on his face.

The strategy for A-L from now on is for each business to achieve "best in class" status. In simple terms, that means making sure it does everything better than all its rivals. The management is also committed to ensuring that knowledge about best business practice is captured and shared across ths whole group. This is where there can be synergy in a conglomerate, says Mr Marchionne.

A-L also has a vast arsenal of technology resources that can be leveraged by being shared, he insists.

In order to make A-L more fleet of foot, changes are being made to the previous structure, which consisted of three operating divisions: packaging, which in 1996 accounted for 40 per cent of sales; aluminium, 27 per cent; and chemicals, 22 per cent. Packaging is being split into two: food & tobacco; and pharmaceuticals & cosmetics. The chemicals division is being similarly divided – chemicals and specialities; and chemical intermediates and additives. Only the aluminium division, covering raw materials to high-technology automotive components, is left as before.

Mr Marchionne suggests that each of A-L's six sectors has the potential for global leadership. All of them will be more technology- and market-focused. "All of our businesses must be first in class, otherwise there would be no point to all this."

The strategic review identified some operations, mainly in the packaging division, that would not match up and would be worth more to some competitors. These businesses represent some SF800m of turnover, and Mr Marchionne says most of them will be sold by the end of this year.

A-L is removing layers from its management structure so there is a maximum of five between the executive committee and the shopfloor. Mr Marchionne says it is vital the message that A-L aims to be "best in class" is clearly received by shopfloor employees. "Managers will go along with the strategy, of course. On the shopfloor they look into your baby blue eyes and say to themselves: Can I *trust* this guy?"

Once "best in class" is achieved, A-L could add new businesses by acquisition. Shareholders who stumped up for new equity in the early 1990s after A-L's previous strategic re-think – which resulted in a substantial part of its aluminium operations being sold and several packaging businesses being acquired – will be glad to hear that Mr Marchionne believes all growth can be achieved without the need to call on them again.

Also, unlike Jack Welch and GE, "we'll stick to acquisitions with some affinity to our existing operations – there will be no television production for us."

Kenneth Gooding

IBCA rating for Egypt bank

By Mark Huband in Cairo

Egypt's leading private sector bank has became the first in the country to be assigned a credit rating by an international agency.

Commercial International Bank was assigned a BBB– long-term and A3 short term rating by the UK-based IBCA rating agency.

CIB, the first Egyptian company to issue its shares as a Global Depositary Receipt, is Egypt's fifth largest bank with a market capitalisation of $1bn. It has a 16 per cent share of corporate banking services to the private sector and its investment banking and brokerage arms are also among the leaders in Egypt.

The bank this year tapped international capital markets to raise a $200m syndicated loan.

● Egypt is planning to sell 10 per cent of the profitable EgyptAlum aluminium company. The sale is expected by mid-December, analysts say.

EgyptAlum, which exports 55 per cent of its output, has benefited from the realignment of prices, which saw primary producers limit output to reduce oversupply between 1994 and 1996.

The Egyptian producer is among the cheapest in the world, with manufacturing costs of about $1,149 per ton, according to joint selling agent EFG-Hermes.

Fortis net profits up 26%

By Gordon Cramb in Amsterdam

Fortis, the Belgian-Dutch financial group, lifted nine-month net profits 26 per cent to Ecu700m ($784m) after a strong contribution from MeesPierson, tha Amsterdam investment bank acquired from ABN-Amro.

The performance came in spite of a string of negative factors. Motor and fire insurance prodnced lower results, and the group took losses on sick pay cover in the Netherlands. Expenses as a percentage of premiums rose on the insurance side, and in banking the ratio of costs to revenues was also slightly up.

Exchange rate effects clipped Ecu13m from net earnings, as both the guilder and the Belgian franc were down against the European currency basket in which Fortis reports at group level.

Operating results from its mainstay banking operations in Belgium were down 5 per cent at Ecu315m.

"Low interest rate levels and heavy competition prompted repricing in credits. At the same time interest rates on savings are under pressure due to competition," it said.

North of the border, Fortis is to withdraw its current line of Dutch sick pay policies from the end of the year, launching a replacement which it hopes will be profitable.

However, it said: "MeesPierson is performing even better than expected." The business more than trebled the operating result for Dutch banking, at Ecu215m against Ecu67m. In particular, it described equity and derivatives trading by the new unit as successful.

Insurance activities in the US recovered from a 1996 dip, with both life and healthcare products coming back well, it said. Automotive cover worsened in Spain but improved in Australia.

The Brussels-listed Fortis AG recorded net earnings per share of BFr331 compared with BFr263, while the Utrecht-based Fortis Amev turned in Fl 4.24 a share against Fl 3.33.

The group held to a forecast that these should show a full-year rise of 15-20 per cent and said that the boost this month to its stake in Belgium's ASLK-CGER Bank would have a positive effect on earnings, apparent from next year.

Bank Hapoalim ahead 14%

By Avi Machlis in Jerusalem

Bank Hapoalim, Israel's biggest bank, said net profits rose 14 per cent during the first nine months of 1997 because of improved returns from financing activities and falling provisions for doubtful debts.

Net profits rose from Shk734m for the first three quarters of 1996 to Shk839m ($237m) this time. Earnings per share rose from Shk0.60 to Shk0.68.

Profit from financing activities before provisions for doubtful debts rose 5 per cent to Shk2.82bn. Provisions for doubtful debts dropped 26 per cent to Shk558m over the same period. Provisions have declined steadily this year since the end of an agricultural sector debt crisis.

In the third quarter, net profits slipped 10 per cent from Shk288m, or Shk0.23 per share, to Shk258m, or Shk0.21. Excluding capital gains of Shk86m in the third quarter last year, net profits rose 29 per cent over the period.

The state recently sold a 43 per cent controlling stake in Bank Hapoalim to a group of investors headed by Ted Arison, the US-Israeli billionaire, for US$1.37bn.

● Israel Discount Bank, the country's third largest, said that net profits fell 19 per cent from Shk237m in the first nine months of last year to Shk192 this year. This year's figures include Shk84m for a voluntary retirement programme. Excluding that, net profits rose 17 per cent in the first nine months.

EUROPEAN NEWS DIGEST

GAN losses now put at FFr40bn

The French government yesterday revised upward estimates of accumulated losses et GAN, the troubled state-owned insurer, to ebout FFr40bn ($6.78bn) since 1991. The figure compares with the FFr35bn disclosed by Jean Arthuis, the then economics and finance minister, when he announced a rescue plan for the group in February. It came after GAN said recently it would be required to take an additional FFr1bn in provisions in its full-year results.

However, the French government denied reports in the newspaper Le Parisien that the losses could be as high as FFr50bn, which triggered a 4.69 per cent fall in the shares to FFr132. GAN said, that "in view of the information currently available", it would report e net profit for 1997.

The Cour des Comptes, the national accounts watchdog, confirmed it was conducting an inquiry into GAN, but stressed that the findings had not been made public and that the research was part of its regular examinations into publicly-owned enterprises.

The COB, the stock market watchdog, said it had examined the accounts produced in 1993 for UIC, the group's loss-making property lending subsidiary, and passed information to the public prosecutor's office, but concluded that the directors had not willingly cheated investors over the accounts.

The reactions yesterday triggered a new round of political debate over the management and rescue of GAN, with Georges Sarre, a deputy for the Citizens' Movement party, calling for e parliamentary inquiry. His comments came after the National Assembly voted last week in favour of a FFr9bn state guaranteeon losses at GAN, as part of the rescue plan. *Andrew Jack, Paris*

■ The French government will today launch the widely-expected sale of CIC, the regional banking group and GAN subsidiary. It said it hoped to choose a buyer by the end of March. The finance ministry said it would hold a trade sale of a majority of the stake held by GAN, leaving the insurer with 20 per cent. *Reuters, Paris*

■ ISRAEL

Chemicals boost holding group

Israel Corporation, one of Israel's largest holding companies, yesterday reported a return to profit during the third quarter in spite of a decline in profits over the nine months.

Net profit for the latest quarter was Shk56.6m ($16.2m) compared with e loss of Shk10.2m for the same period last year. Revenues rose from Shk832.6m to Shk935m, with growth coming from Israel Chemical, Israel Corporation's most important subsidiary.

Earnings per share jumped from Shk1.84 to Shk10.14. Net profits over the nine months fell from Shk43.7m last year to Shk31.3m, with earnings per share slipping from Shk7.84 to Shk5.62. Revenues rose slightly, from Shk2.7bn to Shk2.71bn. *Judy Dempsey, Jerusalem*

■ ONLINE SERVICES

AOL Bertelsmann buy cleared

Germany's Federal Cartel Office has approved the acquisition by media group Bertelsmann and America Online of the European online services of Compuserve, of the US. The two, known as AOL Bertelsmann, announced the deal in Septemher.

Bertelsmann said yesterday the acquisition moved it a step closer to rivalling Deutsche Telekom as Europe's largest online services provider. Taken together, AOL Bertelsmann and Compuserve will have about 1.5m subscribers in Europe, compared with 1.7m at Deutsche Telekom. *AFX News, Hamburg*

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Moyne faces damages claim

By Greg McIvor in Stockholm

Trustor, the Swedish investment company at the centre of a SKr620m ($80.5m) fraud inquiry, said yesterday it planned to launch an action for damages against Lord Moyne, Trustor's former chairman.

The company's shareholders, seeking to fill a hole of up to SKr485m in its balance sheet, approved an action for damages against Lord Moyne last week.

Otto Rydbeck, Trustor's legal adviser, said the company hoped to apply for a writ to a Stockholm court next week. The writ would need to be served on Lord Moyne, who divides his time between his office in London and his home in Ireland.

Trustor is also considering suing Lindsay Smallbone, Lord Moyne's business partner and Trustor's former managing director. However, Trustor stressed the immediate priority was the action against Lord Moyne.

Mr Rydbeck expressed confidence that any successful Swedish damages claim could be enforced against Lord Moyne in the UK.

Björn Björnsson, Trustor's acting managing director, said the company held Lord Moyne and Mr Smallbone personally responsible for the alleged misappropriation of Trustor assets.

"They were the ones who signed the original transfer [of funds] out of Barclays Bank in London," he said, adding that the damages demand would be "substantial".

Some SKr68m is still missing out of the SKr620m which was transferred out of the company's control in the summer.

A further SKr417m lodged with a Trustor account in Luxembourg is the subject of legal action. Lord Moyne says he paid the money into the account to secure Trustor's funds.

Trustor shares held in Lord Moyne'a name, corresponding to 51.8 per cent of the voting capital, were last month frozen by e Stockholm court as security for a damages claim. The stake cost SKr240m in June.

Both Lord Moyne and Mr Smallbone deny any wrongdoing. They were unavailable for comment yesterday.

AGF chairman sticks to his guns

Antoine Jeancourt-Galignani says Allianz deal is in shareholders' interests

Antoine Jeancourt-Galignani, the chairman of the French insurer AGF and one of the country's most outspoken advocates of "Anglo-Saxon" style capitalism, sees no need to retract his views after the defensive "white knight" takeover of his group hy Allianz of Germany.

He may have played to the Gallic political gallery in his lobbying efforts in the past few months to take control of the state-owned group GAN – stressing the importance of maintaining a strong insurance pole based in France to rival his competitor Axa-UAP.

But be argues that the deal he negotiated with Allianz – in response to a hostile FFr55bn ($9.3bn) bid by Generali of Italy – has been in the interests of his investors. "I'm proud, whatever happens, to have brought an offer favourable to shareholders," be says, sitting in his spacious, modern office in central Paris.

Mr Jeancourt-Galignani steered AGF to privatisatioo last year without the classic French technique of building a "noyau dur", or core group of shareholders linked by a formal pact, which would act as protection against hostile bids.

"A noyan dur can never stop a highly priced full bid," he says. "It can be useful against someone whn tries with a 12 per cent stake to say they are the boss. If there is e full bid, you have to find another full bid [in response]."

He denies that he ever attempted to enlist the French government in his efforts to avoid Generali's clutches. Or even that he expected the authnrities to help, in spite nf France's past reputation for political interventionism in the corporate sector.

Even so, Dominique Strauss-Kahn, the minister nf finance, economics and industry, has still not formally approved the Generali takeover – a decisioo the minister stresses is purely for technical reasons in view of the complexity of the offer and the size of the companies involved.

The stalliog certainly helped AGF buy time in its bunt for a "white knight". The search would not be easy. François Pinault, the financier who launched a hostile bid for Worms, the French holding company, had already proposed taking a 25 per ceot stake in AGF in exchange for Worms' insurance subsidiary Athéna. The combined group could then bid for GAN.

But tbe AGF cbairman considered the price too high. Mr Jeancourt-Galignani felt that it would have been "unusual" for a European insurance company to have an individual investor and could have cansed problems if the stake was ultimately sold on to someone else.

He was forced into rapid reflection after the Generali bid – which be says was neither preceded by nor has subsequently led to any discussion with Antoioe Bernheim, head of the Italian insurer. "Swallowiog my pride," be says, be even attempted to set up a meeting – but it was cancelled by the other side.

He was tempted by the idea of making an accelerated bid for GAN – funded by offering 20 per cent of AGF to another partner – to create a combined group that would be larger and less digestible for a raider. But discussions with French, British, Dutch and US financial services groups came to nothing.

Meanwhile, Allianz had reappeared on the scene. Late last year, six months after the privatisation, it had already proposed taking 30 per cent of AGF's capital.

At the time, AGF wanted to remain indepeodent. Now, with a lack of clear alternatives, Mr Jeancourt-Galignani says he was impressed by the willingness of Allianz to negotiate.

The German group pledged to keep 49 per cent of AGF's shares quoted; maintain the headquarters in Paris; have e minority of representatives on the board; and even appoint an independent director to oversee transactions between AGF and Allianz. In exchange, AGF would pay about FFr7bn to acquire Allianz's existing French business.

Such written commitments will soon be made public. But the AGF chairman coocedes that there will be nothing on paper about how long Allianz guarantees to maintain its stake at just 51 per cent, the mandates of directors or how long the proposed board compositioo will last. "I think they really mean it," he says simply.

As for Generali, Mr Jeancourt-Galignani is offering the company little by way of a consolation prize to stave off a higher counter-bid. He argues that "all optioos are open" on AMB, the German insurer jointly controlled with Allianz. "We would be very happy to keep it. Maybe we could decide not to go for GAN aoy more."

"I'm sorry that AGF has lost its independence," he says. "But it was probably unavoidable witb tbe restructuring of insurance, especially among European players and in the Euro zooe."

Andrew Jack

Antoine Jeancourt-Galignani: AGF's loss of independence 'was probably unavoidable'

Fund backs Croatia group

By Jonathan Ford in London

An investment fund backed by the European Bank for Reconstruction & Development has made the largest private equity investment in Croatia.

The East European Food Fund, which was established two years ago to pioneer private equity investments in central Europe, has invested $7m in Magma, a privately owned Croatian distribution company founded in 1989.

The move confirms a trend among western investors to back unlisted entrepreneurial companies in central Europe. This reflects a shortage of such investments on the reginn's stock markets, which are dominated by large privatised ntilities and industrial groups.

Magma was established by its current nwners, Goranko and Biba Fizulic, and is the Croatian distributor for a number of western groups such as Kellogg's, Johnson & Jnhnson and Hasbro, the US toymaker.

The Zagreb-based group has also expanded into toy retailing and controls the largest chain of toy shops in central Europe. Sales have grown at more than 30 per cent for the past two years, and Magma expects profits of about $2m in 1997 on sales of $35m. The company plans to use the money to expand into food retailing.

In return for its capital, the fund has received a 25.9 per cent shareholding in Magma. It is planned to float the company in the next three years.

Boris Zenic, an adviser to Robert Fleming, the UK investment bank that advised Magma on its capital raising, said the deal showed how the Croatian privete equity sector was changing. Initially seen as a method to privatise smaller state-owned entities, investment was now being directed towards small private companies that had never been in the state sector, he said.

Several mainstream investors, mostly from the US, are also seeking to raise funds to invest in private equity in central and eastern Europe. Among the largest is the $290m Millennium Fund, set up last year to make investments in Russia by AIG, the US insurance groop, and Brunswick, the Moscow investment bank.

Rebuilding the Reichmann empire

Canary Wharf's original developer is back and plans to complete the project within seven years

Canary Wharf, the once derided £4bn ($6.7bn) construction project built on the site of a former banana warehouse in London's docklands, must be a bittersweet sight to Paul Reichmann, its Canadian creator.

Mr Reichmann, 67, is watching as his imaginary City of London East, as he had wanted to call the project, rises in concrete, steel and glass just east of the Isle of Dogs, its offices and retail spaces nearly full.

Canary Wharf no longer belongs solely to Mr Reichmann. His family company, Toronto-based Olympia & York, collapsed in the early 1990s, brought down partly by its commitment to the London project which was placed in receivership by its bankers in 1992.

Although his personal stake in the project is now just 5 per cent, Mr Reichmann remains at the helm of the development company which this week announced plans to build the remaining two-thirds of the project.

Development of office space will resume next year, with the aim of tripling the size of the complex in the next seven years.

And it is not just in London that Mr Reichmann is making a comeback. One of his family's companies plans to revive three ambitious projects in Mexico City which were shelved in 1994 due to the peso crisis.

"We are taking them out of mothballs," he says.

Speaking for the first time since he led an investment consortium to buy back Canary Wharf in 1995 from the bank receivers, Mr Reichmann said that he was now a more cautious developer than he had been before Canary Wharf was conceived. "It would be very sad if I did not learn from my mistakes."

But his underlying strategy in property development remains unchanged: that occupiers will move to the most efficient space. They will pay more and travel further for better product.

"If you create a product with an ambiance that is better than anything else around, that will generate more development in the surrounding areas," he says. "That isn't true everywhere, but it is true in the areas where the existing product is not high quality."

His vision for Canary Wharf in 1987 was knocked off-course by sky-high interest rates, a severe recession and by the failure of the UK government to build promised rail links to the area.

But above all, it was undone by the biggest building boom ever in the City of London financial district by rival developers who also realised the capital's need for modern office space.

Mr Reichmann decided to invest in London's derelict docklands following several visits in the mid-1980s.

"I visited a city with office buildings that were outmoded," he says.

"I did my own personal survey. I asked them could they operate long term in the buildings they are in. Nineteen out of 20 gave an unequivocal no."

He plans a similar approach in Mexico City, which, like London 10 years ago, is almost devoid of high-quality office space.

Land has already been cleared for a 50-story, $300m building near Mexico City's Chapultepec Park, one of its most prestigious addresses. The project is a partnership with ICA, the Mexican company, and will be built on a speculative basis without any pre-agreed rentals. Mr Reichmann intends to buy out the stake of his 25 per cent shareholder, George Soros, who is also an investor in Canary Wharf.

He is also planning two other ambitious projects in the Mexican capital, one of which will be in Santa Fe, a new business district several miles outside the centre where rents will be half those at Chapultepec.

Large Mexican banks are the target client for this development, for which 100,000 acres have already been acquired.

The other is planned for Alameda Parc, next to the Opera and near the Presidential Palace, a site levelled by the 1985 earthquake.

Other property projects include a venture with Barry, his son, called Central Park Lodges to build retirement homes in the US and Canada.

Last May, it split its nursing and retirement homes divisions ahead of spinning off its nursing homes division into a Real Estate Investment Trust, a US publicly traded company with tax advantages for investors.

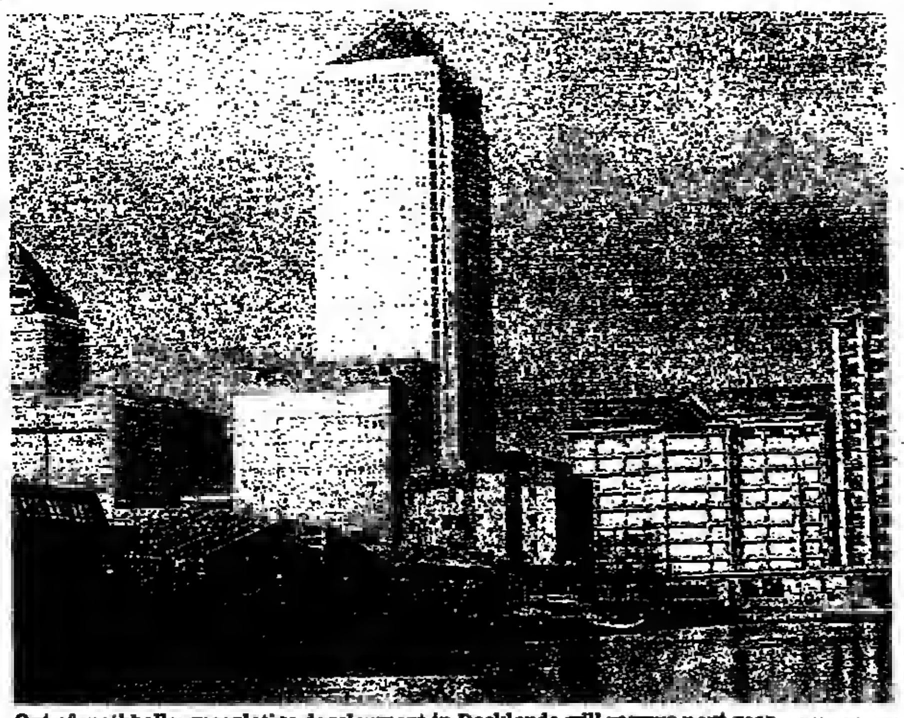
Mr Reichmann says he was in negotiations to buy other US properties and some of these may later be packaged into a REIT.

He demurs on whether he envisages the transformation of the Reichmann family empire into a publicly quoted vehicle.

The transformation of property ownership in the US from private developers, such as himself, to public companies such as REITs "is tremendous because it provides capital".

But he says REITs are for financial engineering, not visionary development. "Development is a business where you can't go by the book. The great property developments will be developed by individuals, not by REITs."

Norma Cohen



Out of mothballs: speculative development in Docklands will resume next year Ashley Ashwood

AMERICAS NEWS DIGEST

AT&T to sell paging unit

AT&T aims to sell its paging business in the latest of a series of moves to divest slow-growth operations that are not central to its focus on telecommunications. The group "has an aggressive effort under way to ensure that its portfolio includes only businesses that are central to our communications services strategy", it said.

The group was "exploring options regarding the messaging business which could result in a decision to sell the unit".

Analysts estimate the business could be worth about $450m. With 2m customers, AT&T's paging service is the ninth largest in the US. Growth in the paging business has been slowed by the rising popularity of cellular telephones.

Over the past year, AT&T has sold businesses worth about $2bn. The group is currently seeking buyers for its credit-card operations and a unit that provides customer services and telephone help desk services to large businesses.

AT&T is also selling its 45 per cent stake in LIN Television. LIN is being acquired by Dallas-based buy-out firm Hicks, Muse, Tate & Furst in a proposed $1.9bn deal.

Analysts said that they expected Michael Armstrong, AT&T chairman, who joined the company last month, to further streamline operations.

Louise Kehoe, San Francisco

■ M&A

SBC unit in Argentine venture

SBC Warburg Dillon Read, the investment banking arm of Swiss Bank, has formed a partnership with Infupa, a leading Argentine mergers and acquisitions adviser.

SBC, which recently acquired Banco Omega in Brazil, has been building its emerging markets capabilities. Infupa has specialised in M&A and privatisations, closing eight deals this year. It is currently working on 20 more.

Infupa and SBC Warburg have agreed to work exclusively with each other on the origination and execution of mergers and acquisitions in Argentina, as well as on selected capital market transactions.

George Graham, Banking Editor

■ ALUMINIUM

Reynolds to sell European mills

Reynolds Metals, the US aluminium producer, is to sell its European rolling mill operations to Germany's VAW aluminium. No price was disclosed, although Reynolds said that the deal would not have a material impact on the financial results of its ongoing business.

The operations being sold include Reynolds Aluminium Deutschland, in Hamburg; Reynolds Italy, in Cisterna; and Industria Navarra del Aluminio, in Irunzun, Spain.

Reynolds has been looking at streamlining its business, and has already sold a number of operations. It said that the latest disposal was part of the previously-announced portfolio review.

Nikki Tait, Chicago

■ BRAZIL

Sell-off to raise R$323m

Brazil will today privatise Centrais Eletricas Matogrossense (Cemat), the Mato Grosso state power company and the utility seen as having among the rosiest growth prospects in the country. Consultants to the privatisation said that Cemat's market of 490,000 consumers and 2.2m megawatt hours a year was expected to grow by 11.3 per cent a year.

Mato Grosso state is selling off 86.91 per cent of the utility's total capital, as well as 2,076 debentures for a minimum price of R$323.3m ($293.9m) at an auction on the Rio de Janeiro stock exchange.

The debentures are convertible into Cemat ordinary and preferred stock held by federal power holding Eletrobras, the investment arm of Brazil's National Development Bank.

Reuters, Rio de Janeiro

■ TELEFONICA DE ARGENTINA

Injection for mobile phone unit

Telefónica de Argentina, the Argentine telecommunications company, is to inject $60m into its 50 per cent-owned Miniphone cellular-phone company.

In a filing with the Buenos Aires Stock Exchange, Telefónica said its board approved the proposal yesterday. It did not provide further details.

The consortium of Telecom Argentina, Stet and France Telecom, which owns the other half of Miniphone, last week said it would inject $60m into the company.

The Argentine company, created during the 1990 privatisation of state monopoly EnTel, provides telecoms services for the southern half of the country. It is 54 per cent-owned by a company equally held by Telefónica de España and Argentina'e CEI Citicorp Holdings.

AP-DJ, Buenos Aires

■ RETAIL

Holiday spending forecast to rise

US retailers are gearing up for Friday'e official start of the holiday shopping season, hoping that strong consumer confidence and a healthy economy will mean a cheerful ring at the cash register.

Analysts and retail experts estimated that holiday spending would be up between 5 per cent and 6 per cent, a stronger pace of growth compared with a 3.7 per cent rise in sales in the 1996 season and 3.2 per cent in 1995.

"The average sales pace is going to be stronger than the last couple of years, not dramatically so but modestly so," said Michael Niemira, economist at Bank of Tokyo-Mitsubishi. "The consumer fundamentals are strong."

Traditionally, about one-third of holiday shoppers flock to the malls and stores the day after Thanksgiving, according to Dan Bethlahmy, retail marketing director for American Express.

Retailers dub the day "Black Friday" in reference to hopes for profitable black ink on the books after a robust sales day.

Reuters, Chicago

Lafarge buys up 29.9% of Redland

By Andrew Taylor and Andrew Edgecliffe-Johnson in London, and David Owen in Paris

Lafarge, the French building materials group, swooped into the market yesterday to buy 29.9 per cent of Redland, hours after securing its UK rival's agreement for a £1.8bn ($3.04bn) takeover.

The purchases were made just hours after Redland directors agreed to accept an increase in Lafarge's offer from 320p to to 345p a share.

Most institutional shareholders of Redland contacted yesterday said they would accept the improved offer which they regarded as tha best in the circumstances.

Redland had planned a £1bn cash hand-out to shareholders as part of its final defence document, which would have been published yesterday had it not been for the decision to support Lafarge's revised terms.

The cash was to have come from the £800m sale of 56.5 per cent of RBB, Europe's largest roof tile maker, to German minority holders. They had also signed a letter of intent to buy Redland's Asia Pacific roof tile interests for £50m.

In addition, Redland said it had been in negotiations to sell its US aggregates business for up to $1bn but declined to nama tha prospective purchaser.

The disposals, however, would have left Redland as a highly geared UK and French aggregates operation with no certainty of generating cash for shareholders until early next year.

Rudolph Agnew, Redland's chairman, praised the role of Robert Napier, chief executive, in the negotiations. He said: "This increased offer delivers greater value, cash and certainty to our shareholders." Mr Napier, who has been criticised by shareholders, is expected to stand down following the takeover.

Some investors, however, expressed surprise and disappointment that Redland had not been able to extract a higher price from Lafarge or potential rival bidders for parts of the group.

One of the largest said: "We think the company is worth more but that's life. Market confidence in the current management is so low that if the bid weren't there the share price would be a lot lower." Its shares yesterday rose 4¾p to 339¼p.

The deal will increase Lafarge's turnover by 50 per cent to about FFr60bn ($10.5bn) and raise the number of its amployees to 68,000. The transaction is being financed by debt, with the result that by tha end of 1997 gearing is expected to reach 95 per cent.

The French stock market welcomed the deal, with Lafarge shares climbing FFr6.60, or 1.8 per cent, to FFr380.2 – double the increase recorded by the benchmark CAC 40 index.

But analysts were divided. Jean-Hugues de Lamaze of Credit Suissa First Boston said the acquisition was "a good thing". He aaid the countries covered by the two groups complemented each other well. By contrast, Arend Dikkers of Salomon Brothers, said the companies had few real synergies.

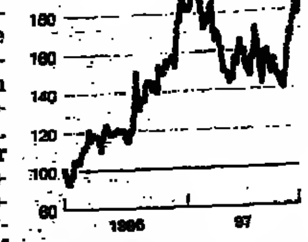
LEX COMMENT

Roscos

The regulatory risk to the privatised rolling stock leasing companies (roscos) is now greater than ever with ministers backing the rail regulator's call for public accountability. A brief period of public consultation could provide e government never enamoured of rail privatisation with the pretext to introduce full price regulation. Tha flimsy argument for regulation is that the roscos indirectly receive public support through government guarantees of their pre-privatisation contracts with the train operating companies. This smacks of windfall-tax style retrospective legislation. These guaranteed revenues were reflected in the prices paid at privatisation. That the companies are now unexpectedly profitable because of harsh cost-cutting is a separate issue. It is also far from clear their established customer bases will translate into a dominant position in the new lease market. Only two years after privatisation, powerful global leasing companies such as GE Capital are gaining ground in the new leases market.

Stagecoach

Share price relative to the FTSE All-Share index



Source: Datastream/ICV

With the operating companies and Railtrack already regulated, tidy minds clearly see the roscos as a jarring anomaly. They should not. The roscos are different for the simple reason that they are not monopolies. If the government is really concerned about competition issues, it should instigate a thorough inquiry by competition anthorites. Tha only thing regulatory uncertainty will achieve is to delay the very investments the government wishes to promote.

Sterling sours T&L outcome

By Maggie Urry

Tate & Lyla blamed the strength of sterling for a fall in profits in the year to September 30, and said the starch and sweeteners group was "poised to improve returns".

Pre-tax profits fell from £276.3m to £241.3m ($407.8m) before exceptional charges of £82m announced at the interim stage. The group said, however, that profits would have been £38m higher but for the effect of the higher pound on translating profits from outside the UK and the impact of green pound revaluations on the UK sugar business.

The group's US starch business suffered the lowest margins to date on its high-fructose corn syrup activities.

Larry Pillard, chief executive, said the year had presented "many challenges". There had also been £10m of start-up costs on a new European starch plant. This five-year project, the largest capital investment in the group's history, is nearing completion and Tate is expecting a 20 per cent return on the £500m expenditure when it is fully operational.

He said the group was taking "a more rigorous view on capital expenditure" to enhance shareholder value.

In North America, a record outcome from sugar, cost reduction and new product development in the Staley starch business, led to increased operating profits of £154m (£116m).

European profits fell from £152m to £96m, as the UK sugar business was affected by the strength of sterling. Elsewhere, profits fell to £16m (£31m).

Sweet touch: Larry Pillard is taking a 'more rigorous view' on capital spending

Maya Kardum

Flower power karma rules on Diageo day

By John Willman, Consumer Industries Editor

There was more than a whiff of the 1960s at the Queen Elizabeth II Conference Centre, London, yesterday when shareholders in Guinness and Grand Metropolitan brought the spirit of flower power to the proposed merger of the two companies.

Both meetings resulted in Albanian-style majorities of more than 99 per cent in favour of forming the world's largest drinks company – no doubt encouraged by the prospect of a £2.8bn pay-out to shareholders early next year.

But the 600 or so shareholders who turned up for the last meetings of the two companies before the merger seemed strangely uninterested in the finer points of shareholder value. They were more concerned about the interests of pensioners, upholding agreements with the staff and doing good for the planet.

"Both companies are big enough, strong enough and profitable enough to employ many more people," a shareholder told the GrandMet meeting after hearing the merger would cut 2,000 jobs.

George Bull, GrandMet's chairman, reassured the meeting he was as sad as anyone that the merged company would have to let anyone go.

Mr Bull joined in the spirit of the meeting by saying the mission of the new group would be to spread everyday pleasure everywhere on the globe. Hence the choice of Diageo as its name, composed of a Latin prefix (Dia, for day) and a Greek suffix (geo, for the world).

The only thing that spoilt the karma of the day was that name.

Those attending the meetings were clearly incensed that great British names were to be swept away by a neologism made up of what Mr Garnier, a Guinness shareholder, described as "two dead languages".

Tony Greener, Guinness chairman, struggled to win over his shareholders. He promised to rename the brewing subsidiary Guinness to perpetuate the name when dealing in Diageo shares starts on December 17.

Small shareholders were not impressed, shouting "rubbish" and cheering every attack on the new name. But the weight of institutional proxy votes carried the day.

US clearance for Zeneca drug

By Daniel Green

The US Food and Drug Administration has cleared Zomig, Zeneca's migraine drug, for marketing in tablet form, setting the stage for a battle in this fast-growing sector.

Zomig will face the market leader Glaxo Wellcome, which is selling Imigran, and has a follow-up drug, Naramig, approved in some other countries.

Zeneca shares rose 39p to £16.27, with analysts forecasting Zomig sales of at least £250m a year by 2000.

The shares have fallen heavily in recent weeks as at least two securities houses said the company faced a gap in new product launches early next decade.

Glaxo shares rose 22p to £13.80.

Zomig is in the same class of drugs as Imigran and Naramig, 5-HT1B/1D agonists, which work by helping reverse the dilation of blood vessels in the brain that can cause migraine pain. It was developed by Wellcome before its takeover by Glaxo in 1995, when Glaxo Wellcome had to sell the drug by competition regulators as a precondition for the deal.

Zeneca estimates the global market for migraine treatment at nearly £900m, rising to £1.5bn by 2000.

Hercules underlines generosity

By Emiko Terazono

Hercules, the US speciality chemicals manufacturer which announced a £1.07bn ($1.8bn) hostile bid for Allied Colloids of the UK this week, yesterday posted its offer document to shareholders.

Hercules' timetable means Allied will now have to produce its first defence document by December 10, while the first closing date for shareholders to accept the offer will be December 17.

Hercules reiterated that its offer price of 155p a share was "generous" representing a premium of 35 per cent to the pre-speculation share price.

The document states: "As an Allied Colloids shareholder you have suffered over recent years and you should question whether this will change, given that Allied Colloids faces an uncertain outlook in an increasingly competitive environment."

The US group accused Allied's management of eroding shareholder value, saying Allied's share price had underperformed the market by 38 per cent.

It also pointed to the recent uncertainty surrounding its 1998 profits referring to recent downgrades by analysts.

Hercules stressed Allied's poor investment record in the US, and despite its investment programme, 1997 earnings per share were below those of 1995.

David Farrar, Allied's chief executive, said the figures used by Hercules were selective, and that Allied would refute the points in its defence document. It may postpone its interim results, due next Tuesday, to help with the preparation of the defence document.

Hard work and cohesiveness

Emiko Terazono on qualities that have helped make Allied Colloids what it is today

From its humble beginnings as a supplier to the textile industry in Bradford, Allied Colloids has grown to be one of the UK's leading speciality chemical companies, thanks to Yorkshire values.

David Farrar, chief executive, says it is thrift and hard work which have made Allied one of the world's leading manufacturers of polymer chemicals with pretax profits of £55m ($93m) and sales of £437m.

But it may be Yorkshire stubbornness which leads Mr Farrar, who has been with Allied for 27 years, to insist on the company's independence in the face of a £1.07bn hostile bid launched earlier this week by Hercules, tha US speciality chemical maker.

With the company's share price underperforming the market owing to concerns over the strong pound and high raw material costs, industry analysts have long pointed to Allied as a tempting target for larger chemical groups.

Many see it highly unlikely that Allied will be able to maintain its independence, but Mr Farrar puts on a brave face: "The odds of a small Bradford-based company becoming a world class group were stacked against us. But we did it."

Allied has carved its niche making chemicals used in pollution control and paper-making – an area where larger groups, including Dow Chemical and ICI, tried their hand and gave np.

Shares in Allied ware unchanged yesterdsy at 169p, comfortably ahead of tha 155p a share offered by Hercules. Investors and analysts clearly expect that Hercules will be forced to raise its offer, or that other predators will enter the fray.

That said, Allied may face an uphill struggle to convince its shareholders that it can deliver more value. At present, the main plank of its defence looks likely to be its record of sales growth.

The company says its sales have grown annually by an average 11 per cent over the past 30 years, and expects to provide higher profits by maintaining the pace and keeping costs down.

It will not solicit any white knights at this stage. However, "proving the management can deliver better value within a reasonable time-frame of two to three years is difficult, given the recent track record," says Philip Morrish, analyst at Nikko Europe.

Hercules, a Delaware-based chemical group that manufactures water-soluble polymers which made operating profits of $441m last year, blames Allied's management for failing to bring value to shareholders.

It points to the 38 per cent underperformance of Allied's ahares in the past three years, profit downgrades by analysts over the past six months, and a return on capital which has declined by nearly 70 per cent between 1988 and 1997.

Allied retorts that Hercules has been selective in choosing its figures. The chemicals sector has nnderperformed the market due to the strong pound and higher raw material costs, says Mr Farrar. The company ia now addressing the problems through hedging and forward contracts.

Returns on capital should improve, the company says, as benefits from investments over the past few years come through during this financial year and next. The group expects £5m in purchasing cost savings from CPS, its finisbed polymer manufacturing snbsidiary bought in November 1996, says Mr Farrar.

John Harnett, finance director, admits that over the past few years, Allied had loose cost control, with costs growing at the same rate as sales. However, this was now corrected and the company was on the "right track" in keeping cost increases to less than half of any rise in sales.

Mr Farrar points out that Allied's strong Yorkshire culture has helped the company's cohesiveness, and fears that becoming part of a larger group may destroy this. "From Bradford to Brazil to Russia, it's what keeps us together," he says.

CORRECTION

David Brown

In the issue of November 25, the dollar equivalent of the £80,000 payment to John Mowinckel, non-executive director of David Brown, was incorrectly stated. The figures should have read £80,000 ($130,000).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abacus Polar	Yr to Sept 30	98.9	(98.4)	10	(8.93)	14.8†	(13.5)	4	Jan 23	3.67	8	5.5
Adare Printing ♣	5 mths to Oct 31	75.6	(55)	7.24	(5.23)	39.65†	(32.92)	4.68	Feb 7	3.12	-	7.6
Airsprung	6 mths to Sept 30	41.7	(39.4)	1.62♠	(2.52)	4.04	(6.06)	1.85	Jan 23	1.95	-	6.4
Amber Industrial	6 mths to Sept 30	12.1	(11.9)	1.71	(1.3)	8	(4.4)	1.75	Jan 13	1.75	-	5.75
Caffyns	6 mths to Sept 30	87.5	(86.3)	1.27	(0.75)	31	(17.3)	5.5	Jan 8	5	-	11.5
DBS	6 mths to Sept 30	72.6	(53.8)	0.478♠	(2.73♠)	0.6	(4.5)	1.4	Jan 20	1.2*	-	3.6*
Falcon	6 mths to Sept 30	3.33	(3.17)	0.469♥	(0.171)	19.6	(6.3)	3.5	Jan 21	3.5	-	7
Hampson Inds	6 mths to Sept 30	68.2	(48.5)	3.82	(2.7)	2.15†	(1.78)	0.65	Feb 23	0.6	-	2.45
Helical Bar	6 mths to Sept 30	61	(45.7)	6.62	(4.36)	16.7	(7.9)	3.5	Jan 9	3.15	-	10#
Helicon φ	6 mths to Sept 30	0.872	(-)	0.104L	(-)	1.8L	(-)	-	-	-	-	-
Mid Kent Hldgs	6 mths to Sept 30	21.4	(20.4)	8.37	(4.89♠)	39	(16.7)	13.2	Jan 13	12	-	30
Nursing Home Props φ	Yr to Sept 30	11.6	(3.51)	3.2	(1.14)	6.25†	(4.44)	1.75	Jan 6	1.25	6.25	3.7
Pillar Property	6 mths to Sept 30	26.7	(21.3)	5.85	(3.19)	3.5†	(2.1)	1.8	Jan 5	1.6	-	5
Rodime $	Yr to Sept 30	1.9	(1.79)	1.11L	(3.21♥)	0.5L	(2.3)	-	-	-	-	-
Southern Electric	6 mths to Sept 30	799.4	(782.4)	103	(112.2♥)	16.4‡‡	(17.1)	7.1	Mar 3	6.45*	-	21.5*
Tate & Lyle	Yr to Sept 27	4,651	(5,160)	159.3♠	(276.3)	22.6	(40.5)	11.7✠	Feb 6	11.7	18.325✠	17
Tinsley Robor	6 mths to Sept 30	28.3	(24.9)	2.71	(1.81)	4.8	(3.9)	1.1	Jan 30	0.9	-	2.8
Tritest	6 mths to Sept 30	37.5	(27.7)	4.04	(3.27)	16.4	(13.1)	3.75	Jan 28	3.33	-	10
Vendôme Luxury §	6 mths to Sept 30	1,657	(1,337)	279.2	(214.7)	0.288	(0.227)	0.11§§	Jan 30	0.095	-	0.295

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Private Equity	6 mths to Sept 30	106.2	(94.1)	0.273	(0.197)	1.1	(0.8)	-	-	-	-	1.2
Gartmore European	Yr to Sept 30	259.1	(208.9)	0.746	(0.38)	1.58†	(2.16)	1.5✠✠	Jan 30	1.5	1.5✠✠	1.5
Jupiter Extra Inc	Yr to Sept 30	146.65	(116.15)	2.95	(3.78)	7.9	(10.15)	1.96875	Dec 5	1.96875	7.875	7.875

Earnings shown basic. Dividends shown net except §§gross throughout. Figures in brackets are for corresponding period. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. *Adjusted for scrip issue. #For 14 months. φAim stock. $US currency. ‡‡Excludes windfall tax. ‡On reduced capital. ✠Foreign income dividend. §Swiss currency. ✠✠Includes FID element.

COMPANIES AND FINANCE: UK

Imperial Tobacco attacks duty rises

By David Blackwell

Gareth Davis, chief executive of Imperial Tobacco, yesterday attacked the "massively high" rises in tobacco duty for leading to a growing problem in smuggling.

"A tobacco bootlegger is unconcerned if he sells to 18-year-olds, 16-year-olds or 12-year-olds," he said as the group - which is number two in the UK cigarette market and maker of the Embassy brand - announced pre-tax profits of £307m ($513m) for the first full year since it was spun-off from Hanson, the conglomerate.

Belgium is the main export market for Golden Virginia, the group's market leading hand rolling tobacco in the UK, where further duty rises came into force yesterday. Most of it finds its way back to the UK, according to Mr Davis, who estimated that losses to the UK Treasury from smuggling of hand rolling tobacco were about £550m a year.

The only real solution to bootlegging would be the harmonisation of European taxation, he said. But he admitted that was unlikely to happen.

The group said a strong maiden contribution from Rizla cigarette papers helped to lift operating profits from £366m to £391m. Turnover edged ahead from £3.82bn to £3.88bn.

Mr Davis described the outcome as "some achievement" in a year that had seen the UK market decline by 5 per cent. He believed the actual market to be stable, attributing the official decline to the growing smuggling of cigarettes as well as hand rolling tobacco.

Rizla, which was acquired for £185m in January, contributed £16m to profits in eight months. Excluding Rizla, underlying profits were maintained in the UK "despite fierce competition in a declining market and the additional costs associated with listed company status."

Profits from international operations were £79m. This was in spite of adverse currency movements and tough conditions in France, where the government froze marketing spend. In addition, the group had decided to pull out of the South African market after a big increase in tobacco excise duty.

Mr Davis said exports had grown sevenfold since 1991. They were growing strongly and now accounted for 20 per cent of the profits.

The group, which is expecting to seek a New York listing next year, is not involved in the settlement between the US tobacco industry and its foes.

It is making no provisions for the 12 court cases it faces in the UK where plaintiffs are seeking damages for alleged smoking related diseases.

Ashley Ashwood

Gareth Davis: exports had grown sevenfold since 1991 to account for 20 per cent of profits

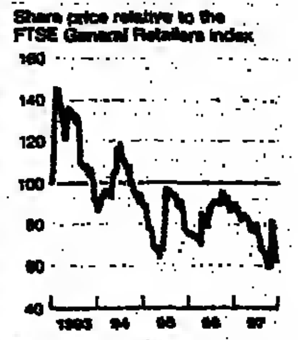
LEX COMMENT

Liberty

It is the oldest line in the retail book: "He was the right man for the recovery, but he lacks the vision to take the company forward." This is the latest version of the swirling assault on Denis Cassidy, chairman of Liberty, by the company's two largest shareholders who are seeking to have him thrown out. Their main concern is about the company's ambitious £43m ($71.8m) expansion plan, but an allegedly dictatorial management style also rankles.

Liberty

Share price relative to the FTSE General Retailers index



Source: Datastream/ICV

That these, and other, shareholders have legitimate grounds for concern is undisputable. The company's performance has been miserable, and the redevelopment of the flagship store is certainly a big bite for a small company.

With 47 per cent of the votes already committed in their favour, the odds of the dissidents succeeding are excellent. But the risk is that they will achieve a pyrrhic victory. For one, the surgical removal of Mr Cassidy looks most unlikely. If he departs, the chances are that much of the senior management team will go with him, not to mention a raft of professional advisers. This can only succeed in inflicting financial damage.

As for the future, Mr Cassidy's vision may err on the side of the ambitious, but its fundamental assumptions and vision are sound. No replacement vision is on offer from the rebel shareholders. Indeed, beyond some uncontroversial generalities, there is the suspicion that financial engineering is seen as the means of releasing shareholder value. It does not augur well.

S&N brand strength behind 15% advance

By John Willman, Consumer Industries Editor

Scottish & Newcastle, Britain's biggest brewer, yesterday reported a 15 per cent jump in interim profits as the strength of its brands raised margins in brewing and the managed pub division.

The group's troubled Center Parcs holiday complexes saw a further decline in profit - largely because of the poor performance in continental Europe with weak consumer spending in France and Germany and restructuring costs in Belgium.

But overall pre-tax profits rose from £195.1m to £224.5m ($375m) for the six months to October 26, at the top end of forecasts. The shares rose 19½p to 714½p.

Scottish Courage, the brewing division, reported a 28.9 per cent rise in profit to £115.9m on negligible growth in turnover. This was because of higher margins on brands such as Foster's, John Smith's, McEwan's lager, Miller, Kronenbourg and Beck's which now account for nearly 60 per cent of sales - compared with just over 40 per cent three years ago.

Brian Stewart, chief executive, said this growth had placed Scottish Courage in a good position to win a substantial share of the supply contracts for lnntrepreneur pubs when its existing agreement runs out in March.

"We have taken care to build a relationship with their tenants who will not want to lose our brands," he said.

Higher margins on the top six Scottish Courage brands also helped raise profits in S&N's retail division. Profits on the 1,900 managed houses rose 15.6 per cent to £86.9m, on turnover up 7.4 per cent to £399.5m.

Mr Stewart added that the estate was relatively balanced between town centre pubs, suburban pubs and community pubs. "We have invested in all three areas, and are thus less vulnerable to a downturn in any one of them," he said.

In the leisure division, the strong pound was partly to blame for the poor performance of Center Parcs - the profit decline was 6 per cent at constant exchange rates on turnover up 4 per cent.

But despite a 10 per cent rise in profits on the UK operation, the poor continental European performance cut profits from £38.9m to £32.1m on turnover down 10.9 per cent to £146.6m.

Earnings per share rose from 24.3p to 28.1p. The interim dividend is 7.93p, up 10 per cent.

BA and Virgin resume rivalry

By Michael Skapinker, Aerospace Correspondent

British Airways and Virgin Atlantic resumed their traditional rivalry yesterday, with both claiming the right to the last route available under the UK-US aviation treaty.

The Civil Aviation Authority yesterday heard applications from BA to fly from London's Gatwick airport to Denver and from Virgin to fly to Las Vegas.

Peter Spencer, BA's Americas director, told the CAA that Denver attracted almost twice as many visitors as Las Vegas. He said a BA service to Denver would reduce journey times from London by 3½ hours. At present, passengers travelling from London to Denver have to fly via Washington, Dallas or Chicago.

Richard Branson, Virgin's chairman, told the hearing that Las Vegas was an important business destination, hosting more than 4,000 conventions a year.

He said awarding Virgin the route would boost competition, as Las Vegas would be Virgin's ninth US destination while it would be BA's twenty-third.

BOC scotches talk of big buy with Ohmeda cash

By Roger Taylor

BOC, the industrial gases company, has scotched speculation that it is planning a large European acquisition with the proceeds from the sale of Ohmeda, its medical division, expected to fetch up to £1bn ($1.67bn).

The company was thought likely to use the money to expand its business in continental Europe, a possible acquisition being Messer Griesheim, the privately owned German business and the second largest industrial gases business in Europe, or AGA of Sweden, the fourth largest.

However, BOC believes its own weak presence on the Continent means there would be insufficient cost savings from the acquisition of a European group to justify paying the necessary control premium.

Nor does it believe there is a strategic need to expand in Europe that could justify diluting existing shareholders' earnings. "While we would like a greater presence in Europe we do not feel any strategic urgency to gain one", the company said.

Although it would not rule out a European acquisition at the right price, BOC is currently looking at other options. Its reluctance to spend in Europe greatly increases the chances of cash being returned to shareholders, since the company has few opportunities to spend elsewhere.

Outside continental Europe, it believes that buying a large competitor would probably meet objections from competition regulators.

It regards its present level of indebtedness, with gearing of about 60 per cent, as desirable and would not want to see it stay below that level for a long period.

Current capital expenditure is met from cash flow. This could be increased and the company will continue to make small acquisitions, but neither is likely to make great inroads into the cash from the sale of Ohmeda.

The sale of Ohmeda, which makes anaesthetic gases and equipment, is on schedule with a number of companies expressing interest in buying either the whole division or parts of it. Bids are due to be delivered this week.

BOC, which has a large part of its industrial gases operations in east Asia, said business had not been seriously damaged by the financial problems in the region. One investment project in Thailand had been cancelled because the customer had difficulties raising finance, and further new projects might also suffer. But levels of business in October had not been affected, it said.

Savills launches housing trust

By Norma Cohen, Property Correspondent

Savills, the property consultant, is to raise £80m ($133.6m) in equity for the first housing investment trust, a stock exchange listed trust which offers some of the tax advantages of direct property investment.

The vehicle, to be known as Savills Residential Property Trust, is the first to take advantage of a structure first created by the Finance Act of 1996. It is designed to encourage investment in the UK rental housing market.

The new trust comes at a time of growing pressure for tax-advantaged vehicles which allow indirect property investment. UK pension direct investment in commercial property has been declining because of the expense and inefficiency of this form of ownership. However, UK property companies - vehicles for indirect property investment - pay corporation tax while investors who buy property directly do not.

Duncan Young, director in charge of Savills Finance, said that initial interest from institutional investors had been strong. "A number have told us that they hope it succeeds because they want more trusts to come."

Mr Young said that although housing investment trusts had been possible for over a year, issuers had been constrained by the difficulties in collecting the right properties. The 1996 legislation sets a ceiling of £85,000 per property - £125,000 for London houses - as the maximum amount paid for any property in a portfolio.

However, the SRPT has linked up with Black Horse Corporate Property Services, a leading manager of so-called part-exchange properties, to overcome this problem.

Under the part-exchange system, home builders agree to sell a new house in exchange for the buyer's previous home plus a cash sum.

The exchanged properties are more likely, by virtue of their age, to be below the legislation's price ceiling, while Savills will be buying them at a discount to market value.

Black Horse will be contracted to supply and manage the properties as rental housing. The trust expects to own at least 3,300 houses at an average value of £55,000. Each property is expected to be held for at least five years, when it becomes exempt from capital gains tax upon resale.

Savills intend to increases the trust's investment capacity by borrowing a further £100m, with a £50m index-linked debenture planned for the third quarter of 1998. A £50m bank facility is planned for 1999.

RPC to spend £16m for the year

By Virginia Marsh

RPC, the plastic packaging group, is to invest more than £8m ($13.4m) in the second half, mainly on new equipment and extra warehouse space.

Chris Sworn, finance director, said the capital expenditure, which comes on top of £7.9m in the first half, would be financed from cash flow.

Net cash inflow from operating activities rose sharply to £17m (£7.85m), mainly because of more efficient cash management at CPE, the Germany-based group it bought last January for DM160m ($90m).

Gearing fell to 40 per cent, on net debt of £25.3m, down from 54 per cent at the end of March, and from about 75 per cent at the time of the acquisition. Mr Sworn said the investment programme meant gearing was unlikely to fall much further by the year-end.

His comments came as RPC unveiled interim pretax profits of £7.57m (£4.8m) on sales of £120m (£48.3m) for the six months to September 30.

The company said CPE contributed about £70m to turnover but declined to reveal its profits.

However, its margins are believed to have risen to about 3.5 per cent, up from 2.3 per cent last year. Group margins in the first half were 7 (11) per cent.

Group volumes rose 9 per cent, on a pro forma basis, with the strongest growth in margarine containers, paint cans and vending cups.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Acal	6 mths to Sept 30	74.6	(72.5)	5.62♥	(4.65)	17.9	(14.2)	3.6	Feb 2	3.16	-	9.56
AEA Technology	6 mths to Sept 30	128.7	(111.6)	7.6	(1.1♠)	6.3	(0.9)	3.1	Feb 2	2.75	-	8.4
AIT	6 mths to Sept 30	6.18	(5.06)	0.858	(0.697)	3.33†	(2.42)	0.66	Jan 9	-	-	-
Allen	6 mths to Sept 28	128.8	(71.1)	7.13	(4.71)	12.29†	(8.75)	4.2	Jan 30	2.8	-	7.5
Bath Press	6 mths to Sept 30	34	(21.6)	3.06	(1.64)	1.04†	(0.85)	0.18	Jan 23	0.16	-	0.51
Brooke Industrial	Yr to Sept 30	30.6	(22)	1.71	(0.68)	16.3	(14.5)	3.5	Feb 6	2	5	3
Compco	6 mths to Sept 25	8.84	(4.99)	2.51	(1.14)	6.78†	(3.87)	1	Feb 2	0.5	-	3.74
Dailywin ‡‡	6 mths to Sept 30	208.6	(184.4)	11.6	(12)	83.2	(85.7)	4½	Jan 22	3	-	7.5
Deltron	Yr to Sept 30	26.5	(26.8)	2.66	(2.27)	9.9†	(11.7)	2	Feb 27	-	3	-
Dialog §§	9 mths to Sept 30	21.4	(14.8)	1.42♥	(5.66L)	0.54	(6.3L)	-	-	-	-	-
Eurocamp	11 mths to Sept 30★	102.8	(104.7)	11.3	(9.27)	21.6	(16.3)	7.75	Apr 21	7.25	11.5	11
Imperial Tobacco	Yr to Sept 27	3,878	(-)	307	(-)	40.7	(-)	14.2	Feb 13	-	21.4	-
Jennings Bros Φ	Yr to Sept 28	16.3	(16.3)	0.168♠	(1.27♠)	3.8L	(13.8)	4.75	Feb 13	4.5	7.75	7
Leopold Joseph	8 mths to Sept 30★	-	(-)	1.02	(1.09)	13.55	(15.22)	4.5	Jan 2	4.5	-	20
Locker (Thomas)	6 mths to Sept 30	31.2	(32.3)	1.45	(1.38)	1.17	(1.17)	0.3	Jan 2	0.3	-	1
Prism Rail Φ	28 wks to Oct 11 §	238.9	(32.8)	4.84	(0.549L♠)	14.2†	(8.8L)	5	Dec 22	-	-	-
RPC	6 mths to Sept 30	120	(48.3)	7.57	(4.8)	6.5†	(5.9)	1.5	Jan 16	1.35	-	4.2
SBS Φ	Yr to Aug 31 #	19	(15.2)	0.728♠	(0.07♠)	-	(-)	0.6	Jan 30	-	0.8	-
Scot & Newcastle	6 mths to Oct 26	1,679	(1,665)	224.5	(195.1)	28.1	(24.3)	7.93	Feb 6	7.21	-	21.39
Smith (James) Ests	6 mths to Sept 24	6.65	(3.9)	1.96	(1.82)	5.5	(5.1)	2.1	Jan 16	2.06	-	6.06
Tinsley (Eliza)	6 mths to Sept 30	24	(17.3)	1.16	(0.702)	5†	(4.5)	2.2	Feb 2	2.1	-	6.1
Westbury	6 mths to Oct 3	47.7	(45.1)	4.01	(1.75)	4.5	(1.9)	1.5	Jan 8	1.5	-	4.75
Young (H)	Yr to Sept 30	75.2	(56.9)	4.25	(2.62)	14.1†	(11.8)	3.2	Jan 30	2.8	4.6	4.2
Zetters	6 mths to Sept 30	8.8	(7.6)	1.05	(0.511)	10	(5.1)	5.5	Mar 4	5	-	10

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen Lloyd's	6 mths to Sept 30	-	(-)	-	(-)	-	(-)	1.55	Dec 29	1.55	-	6
American Opport's	Yr to Sept 30	125.6	(97.7)	0.299	(0.15L)	1.9	(0.99L)	-	-	-	-	-
Amic	Yr to Sept 30	112.3	(103.4)	0.137	(0.069)	1.61†	(0.98)	1.5	Jan 23	0.7413	1.5	0.7413
East German	6 mths to Sept 30	24	(70.4)	0.439L	(0.801L)	0.56L	(1.43L)	-	-	-	-	-
G'ness Flight Extra	Yr to Oct 31	139.54	(103.76)	1.86	(1.67)	9.3	(8.32)	3	Jan 5	2.93	8.26	7.66

Earnings shown basic. Dividends shown net except ✠Gross throughout. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡‡Hong Kong currency. §§Figures for Maid. ☆Comparatives for 12 months. ΦAim stock. ★Comparatives restated. §Comparatives for 6½ months. #Pro forma.

LAW

Betting ruling overturned

EUROPEAN COURT

In the dispute between Ladbroke, the UK betting company, and the French betting system, the European Court of Justice upheld the European Commission's appeal against the Court of First Instance annulling the Commission's rejection of Ladbroke's complaint against the Pari Mutuel Urbain which organised off-course totaliser betting in France.

Eight years before, Ladbroke lodged a complaint with the Commission against France under Article 90 EC Treaty and the PMU under Articles 85 and 86 EC Treaty. Under French law, the PMU had exclusive responsibility for managing the rights of French racing companies organised in France and bets taken in France on races organised abroad. Ladbroke alleged the agreements between the companies and PMU were in breach of Article 85 and the grant of exclusive rights by PMU was an abuse of a dominant position in breach of Article 86. Ladbroke claimed France had infringed Articles 85, 86 and 90 by enacting legislation that provided a legal basis for the agreements among the racing companies and between them and the PMU, granting exclusive rights to take off-course bets.

The Commission rejected Ladbroke's complaint against PMU, ruling the Treaty provisions were not applicable and it was not in the Community's interest to take a decision such as sought by Ladbroke. The Commission did not take a position on the complaint under Article 90 against France. Ladbroke sought the annulment of the Commission's rejection of its complaint before the Court of First Instance. The court upheld Ladbroke's action on the ground that by definitively rejecting that part of the complaint against PMU without having completed its examination of the compatibility of the French legislation with the Treaty rules on competition, the Commission failed to examine carefully factual and legal issues to satisfy the requirement of certainty of a final decision. The Commission and France appealed to the ECJ.

The ECJ found the CFI's reasoning was based on the flawed premise that the lawfulness of conduct of companies complying with national legislation, depended on whether that legislation was compatible with the Treaty. The compatibility of national legislation with Treaty competition rules could not be seen as decisive in the context of an examination of the applicability of Articles 85 and 86 to the conduct of complying companies. Although an assessment of the conduct of the companies and PMU in the light of Articles 85 and 86 required an evaluation of the French legislation, the sole purpose of that evaluation was to determine what effect that legislation might have on such conduct. Articles 85 and 86 only applied to anti-competitive conduct by companies at their initiative – not if anti-competitive conduct was required of companies by national legislation or if the latter created a legal framework that eliminated the possibility of competitive activity on their part. However, those Treaty provisions might apply if it were found that national legislation did not preclude companies from autonomous conduct which prevented or restricted competition. The CFI had thus erred in law in holding that by definitively rejecting the complaint on the ground that Articles 85 and 86 did not apply and that there was no Community interest, the Commission was relying on an interpretation governing the definitive determination of the existence of alleged infringements which was wrong in law.

Joined Cases C-359/95 P and C-379/95 P: Commission and France v Ladbroke Racing Ltd., ECJ FC November 11 1997.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Stringham joins Young & Rubicam

Young & Rubicam, the New York based advertising, marketing and public relations group, yesterday said it had appointed Peter Stringham, a top Canadian advertising executive, to head its North American advertising operations.

Stringham, 48, will fill the long-vacant position of chairman and chief executive of Young & Rubicam North America, strengthening the company's management team and feeding speculation that Young & Rubicam is preparing for a stock market flotation, perhaps early next year.

Stringham was previously president and chief executive of BBDO Canada, part of Omnicom's BBDO Worldwide advertising group. He is credited with turning the company into Canada's biggest advertising business.

He started his career in advertising in 1971 as a copywriter for Gordon Hill Advertising in his native Winnipeg, working his way up to become creative director and then senior vice-president in the Toronto office.

Later, as president of Baker Lovick/BBDO when the company merged with McKim Advertising in 1992, he headed the combined business and took responsibility for blending their distinct cultures. BBDO Canada went on to win large numbers of creative awards and new accounts.

Richard Tomkins, New York

Credit team grows at Merrill Lynch

Merrill Lynch has more than doubled the size of its London-based credit research team with the addition of five analysts.

The expansion, which reflects the bank's confidence in the growth of Europe's high-yield, or junk bond, market over the next few years, continues the recent investment bank trend of expanding credit research teams.

Credit analysts have been in high demand since a few months ago as banks prepare for a drastic alterations to the bond market after European monetary union in January 1999.

Most London-based investment banks hava doubled, or even trebled, their headcount of credit experts, many of them by poaching employees from the leading US credit rating agencies.

The abolition of several currencies in Europe in 1999 is expected to dramatically reduce the scope for bond market profits from cross-border volatility.

Banks hope the gap will be filled by the development of a junk bond market in Europe based on credit volatility, as opposed to fluctuations in interest rates and foreign exchange movements.

The expanded Merrill Lynch team will focus on corporate issuers in Europe, the Middle East and Africa. The new hires are Martin Hornbuckle, from J.P. Morgan, Helen Rodriguez, also from J.P. Morgan, Marc Pinto, from the Fitch bond-rating agency, Luigi Pignatelli, from Deutsche Morgan Grenfell, and Beth Fusco, from Merrill Lynch.

Edward Luce, London

Ch'ien appointed bank non-executive

Raymond Ch'ien, chairman of Inchcape Pacific, the services and distribution company, has been appointed a non-executive director of The Hongkong and Shanghai Banking Corporation, the global banking group.

It is the latest in a string of private sector and public service roles for the Tokyo-born Ch'ien. These range from a director and founding shareholder of China's pioneering internet company through to an honorary adviser to the China Aerospace Corporation.

Ch'ien, 45, also boasts a political career spanning Hong Kong's two leaders. He served in the Executive Council, or advisory cabinet, to both the last colonial governor – Chris Patten, whose term ended when Hong Kong reverted to Chinese sovereignty on July 1 of this year – and to the current leader, Tung Chee-hwa.

He moved to Inchcape this year from Lam Soon Hong Kong Group, a foods, packaging and manufacturing company where he was managing director.

Louise Lucas, Hong Kong

Salomon increases German presence

Salomon Brothers, the US investment bank, has stepped up its German corporate finance presence in media and telecommunications by poaching a Frankfurt-based team from Citibank. Frank Günther, 39, who had been in charge of the telecoms, media and general corporate sectors at Citibank AG since 1995, will be a director at Salomon Brothers AG. His Citibank colleagues, Peter Saemann and Rainer Carl, will join as associates in the corporate finance division.

Günther worked on the Deutsche Telekom flotation and project finance for E-plus, the German mobile telephone operator.

Before Citibank, he had advised German and international banks in five years with management consultants Booz Allen & Hamilton. He previously worked at Munich-based Bayerische Vereinsbank.

Peter Saemann, 33, was global relationship manager on Günther's team at Citibank. Previously, he had been private equity project manager for Dresdner Bank. Rainer Carl, 35, had worked at Citibank since 1989, most recently as regional sales director for southern and eastern Europe.

Salomon shareholders last week formally approved a takeover by Travelers, which will see the securities firm renamed Salomon Smith Barney.

Clay Harris, London

Moving places

■ ING BARINGS has appointed William Dorson head of corporate finance for the Americas. ING Barings will integrate all corporate financing activities in North and South America into a single business unit. Prior to his new appointment Dorson was Ing Barings' global head of the Debt Products Group.

■ BARING PRIVATE EQUITY PARTNERS has appointed Gyuri Karady, 43, senior partner in charge of Central Europe. Formerly a director and team leader of EBRD's Hungary team, Karady has over six years of equity and debt financing experience in the region and 11 years of strategy and management consulting in the US and France.

■ Edgar Fossheim, 48, has been appointed president of KVAERNER ENERGY, in succession to Otto Soberg. Fossheim is currently director of human resources and a member of tha senior management team. He is also responsible for the ongoing project to restructure the Kvaerner Energy business. Fossheim will also assume responsibility for Kvaerner Energy's operations in the UK, Sweden, Finland and China as well as its sales offices, worldwide.

■ SONY BROADCAST & PROFESSIONAL EUROPE has promoted Miles Flint to become its new president, based in the UK. The appointment becomes effective on January 1, 1998 and follows tha establishment of a new Broadcast & Professional Systems Company at Sony Corporation in Japan.

■ VON ROLL HOLDING has appointed Martin Messner chief executive. Max Amstutz will transfer the operational responsibility for the group, which he held ad interim since 1995, to Messner on March 1, 1998, continuing in his present position as chairman of the board. Messner has worked for Hilti, Schaan, since 1993. He is currently head of the drilling and mining engineering group division of the Hilti Group.

■ NORTHERN TELECOM has announced senior management changes to strengthen the company in three key areas of its operations. Jim Long is appointed executive vice-president and president, Enterprise Networks, succeeding Rick Faletti, who is leaving the company. Long was executive vice-president and group executive – Asia. Clarence Chandran will assume responsibility for Asia, in addition to his role as executive vice-president and president, Public Carrier networks, Europe. David Ball, senior vice-president and president, Public Carrier Networks, Europe, is retiring in 1998 and in order to provide a smooth transition Gary Donahee will be appointed senior vice-president, Public Carrier Networks, Europe. Ball will continue to serve as vice-chairman of Nortel's board. Donahee's successor as senior vice-president and president, Nortel CALA (Caribbean and Latin America) region will be announced shortly.

■ DELL COMPUTER has appointed former AT&T president and chief operating officer Alex Mandl to its board.

■ Jean Duband has been appointed head of sales for TWA's international network. Duband, 53, has been sales director of the US airline's French activities since 1994. Frederic Bernard, has been appointed to replace Duband as sales director for France, Belgium and Switzerland. Bernard, 48, was previously head of regional sales.

■ ZABALBARRI has appointed Javier Garcia Egocheaga chairman. Garci Egocheaga was formerly executive vice-president of the waste recycling venture. *France's Générale des Eaux* has recently become the majority shareholder in the Basque group with a 25 per cent stake.

■ Hong Kong's HUALING HOLDINGS said Xu Zhi, a director, has succeeded Bi Qing as chairman.

■ NETWORK PROGRAMS a provider of business and operations support systems to the communications industry, has appointed Richard Mace president and chief operating officer. Mace was the worldwide vice-president - internet services at Digital Equipment Corp.

■ ZALE CORPORATION, the specialty retailer of fine jewellery in the US, has promoted Alan Shor, 38, to the newly created position of executiva vice-president and chief logistics officer.

■ Johannes Dercks, latterly a manager of international business for the Metro Group, has been appointed president and central manager for the US retailer TOYS 'R' US in Germany, Austria, Switzerland and the Netherlands.

■ Singapore-based Sembawang Marina & Logistics chairman, Er Kwong Wah, has been appointed an executive *director of SEMBAWANG*, with effect from January 1, 1998. He has also been appointed non-executive director of JURONG SHIPYARD for an initial term of two years. Er will become the executive chairman of SembCorp's Transportation & Logistics Business Group. Er, who has been a director of SembCorp since 1986, will retire as permanent secretary in the Ministry of Community Development, to assume his new appointment of executive chairman on a full-time basis.

■ FACILICOM INTERNATIONAL has named Ronald Honselaar managing director of the company's new affiliate in the Netherlands. Honselaar, 43, a former executive with Racal Datacom, will lead FCI's Benelux operations from a new international switching complex under development in Amsterdam.

■ Charles Stacs has been named president and chief executive of SYSCO FOOD SERVICES – CHICAGO, a Sysco Corporation subsidiary. He succeeds Michael McLoughlin, who has been promoted to president and chief *executive of Sysco's Portland* operating company. Stacs, 41, joined Sysco in 1986.

■ GENERAL MOTORS has appointed John Finnegan, its vice-president and treasurer, president of General Motors Acceptance. Finnegan, 48, was also promoted to group executive of GM, and will report to GM chief financial officer Michael Losh, who is also chairman of GMAC's board of directors. Finnegan succeeds John Rines who has been left the company to become executive vice-president, global markets, for Citicorp.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

INTERNATIONAL CAPITAL MARKETS

Gilts end lower after early gains

GOVERNMENT BONDS

By Samer Iskandar in London and John Labate in New York

European bond markets fluctuated in a narrow range yesterday, with thin trading volumes as the Christmas lull started to settle in.

UK GILTS reversed early gains to end slightly lower, after the release of bearish economic data. The December long gilt future fell from a high of 119 11/32 to close at 119, down 2/32, while in the cash market the 10-year yield spread over German bunds remained unchanged at 117 basis points.

The UK purchasing managers' index rose 0.2 to 53.9 per cent in November, against market expectations of a slight fall.

Growth in money supply was also slightly stronger than expected, with the M0 aggregate up 6.8 per cent year-on-year.

"There is a risk that the Bank of England's monetary policy committee will hike rates again," said economists at Julius Baer Investments in London.

Analysts pointed out that the M0 data had been distorted by the introduction of new 50p coins. HSBC Markets, however, said credit card borrowing was strong last month, as was gross lending at £10bn.

GERMAN BUNDS ended modestly higher. Trading volumes, however, were very low, with fewer than 13,000 futures contracts changing hands on the London International Financial Futures and Options Exchange.

Liffe's December bund future settled at 103.98, up 0.04. Traders said uncertainty ahead of Thursday's meeting of the Bundesbank's council was weighing on market sentiment.

Bear Stearns analysts said yesterday it was more likely than not that German monetary policy would be tightened through a rise in the repo rate, especially if the stock market turmoil stabilised.

David Brown, chief European economist at the US bank in London, said: "Remember that Bundesbank council member [Reimut] Jochimsen was pretty unequivocal in the wake of the October 9 rate hike that there would be a four-week cooling off period before German rates headed higher again."

FRENCH OATs also rose marginally, with the December notional future closing 0.02 higher at 100.30. In the cash market 10-year OATs were yielding 5.44 per cent, exactly the same level as the benchmark bund with a similar maturity.

US TREASURIES saw a strong opening in morning trading on the release of a new report on manufacturing activity, but had moved lower by lunchtime. By midday the benchmark 30-year bond was down 1/32 at 101 11/32, yielding 6.027 per cent.

Shorter-dated issues were also down by a modest amount, with the two-year note losing 1/32 to 99 25/32, yielding 5.759 per cent, while the 10-year note was also 1/32 lower, at 102 13/32, yielding 5.846 per cent. The Federal Funds rate was at 5¾ per cent.

When prices rose in early trading, sellers stepped in and led them lower. "We've given up a bit of ground, on some profit-taking," said Tom O'Connell, senior government trader at First Chicago Capital Markets.

A lower than expected reading of business manufacturing activity by the National Association of Purchasing Management helped to set a bullish tone to morning trading. The NAPM index for November was 54.4, suggesting continued economic expansion but a slowing compared with October. In a separate report, construction spending for October rose by 0.1 per cent, below the figure analysts had expected.

Later in the day $14.5bn in three-month and six-month bills were to be auctioned.

Vietnam near deal on debt arrears

By Jeremy Grant in Hanoi

Vietnam and its London Club creditors are expected to sign an agreement that will seal the repayment of about $700m in commercial debt arrears in two weeks' time, finally improving the communist-run country's debt profile after red tape in Hanoi delayed the deal by six months.

The debt has been hanging over Hanoi since the late 1970s and early 1980s and is owed mostly to Japanese and European institutions.

Rollo Prendergast, a director of ANZ Investment Bank in Hong Kong, said the 120 or so creditors had been sent final paperwork at the weekend and a so-called "exchange agreement" will be signed on December 16 in Paris. A letter was included from Michel Camdessus, International Monetary Fund chairman, expressing support for the deal.

ANZ Bank and Bank of Tokyo-Mitsubishi have co-chaired a steering committee acting on behalf of the creditors since negotiations started with Vietnam in 1994.

A date of January 26 has been set for the next step, at which the committee will cancel the debt, Vietnam will make a cash down-payment of $15m and proceed with the issue of Brady bonds backed by US Treasuries.

Broad agreement on how Hanoi would repay the arrears was reached in May last year, with creditors offered a menu of options ranging from a cash buy-back, to par bonds bearing low interest and discount bonds at market rates to settle the principal.

Slow start for UK gilt strips market

By Samer Iskandar

The new UK gilt strips market got off to a slow start yesterday, but traders were optimistic activity would gradually pick up.

"We saw a bit of nibbling at the long end of the yield curve," said Andrew Roberts, gilt analyst at UBS in London. "There were hardly any customer flows, but you have to remember this is a completely embryonic market."

The introduction of a stripping facility is the last main reform before the conversion of gilts to euros, under the planned European single currency, if and when the UK joins. It follows the launch last year of the gilt repo market, where investors can raise cheap finance by depositing gilts as collateral and traders can establish short positions (selling bonds they do not own) by borrowing securities.

Strips – an acronym for separate trading of registered interest and principal of securities – are the different components of a conventional bond (coupon payments and final redemption) separated and traded as distinct securities.

By concentrating all cash-flows into a single payment at maturity, strips remove reinvestment risk – uncertainty over the interest rate that will be available when coupons have to be reinvested.

Conversely, strips are more sensitive than conventional bonds to changes in interest rates, which makes them attractive to speculators betting on the future direction of the market.

Analysts expect the longest dated principal strips to be the most in demand, since they are the most liquid and offer the highest sensitivity to changes in interest rates.

To coincide with the start of trading, J.P. Morgan launched a new index of gilt strips with maturities of 15 years or more. The index, which will have a longer average life than any other yardstick, will be particularly useful for long-term investors such as pension funds and insurance companies, according to the US investment bank.

Pension funds, which have to match assets and liabilities with a long-term view, are expected to be the most active buyers of strips. In the US, where they have been available for more than a decade, strips have become popular among parents saving to pay for their children's education.

With about £90bn of strippable bonds, the UK market will be the world's third largest, after the US and France. And the pool of strippable bonds will grow gradually. The Bank of England will announce details today of its next auction of five-year strippable gilts. The issue is expected to be in the region of £2bn.

"The strips market is going to be like a rolling stone," said Mr Roberts at UBS. "It will start slowly and pick up speed gradually."

Although trading started yesterday, actual stripping will only take place from Monday, the first settlement date for trades involving strips.

Denmark opts for D-Marks

INTERNATIONAL BONDS

By Edward Luce

Denmark kept Europe's retail investors busy yesterday with a DM500m five-year offering. The bond, priced to yield 10 basis points over the August 2002 German government bond, was the first big D-Mark fixed-rate issue since the World Bank's offering on November 10.

Officials at ABN Amro, sole lead, said the timing was helped by the an unusually large number of D-Mark redemptions in November and December, including a DM5bn UK bond and a DM2.5bn Sweden bond.

Most of the bonds went to retail investors in Switzerland and the Benelux region, an official in Amsterdam said.

"The market is still open to decently priced sovereign issuers but it would still be very difficult for a corporate to come to this sector unless it was very cheap," he said.

BANQUE DU LIBAN ET D'OUTRE MER, Lebanon's largest private sector bank, came to the market with a $75m subordinated offering. The eight-year bond, Banque du Liban's first international security issue of any kind, was targeted mostly at Middle Eastern investors, said an official at SBC Warburg, sole lead manager.

Officials denied that the deal, priced to yield 300 basis points over the US Treasury curve, was too aggressive. Although it was priced below the secondary market spread of Lebanon's 10-year $400m offering (which was trading at a spread of 344 basis points yesterday), the deal was successfully placed with leading regional investors, said the official.

"Middle Eastern investors are not particularly affected by the wider financial crisis," he said.

"For them, Banque du Liban is a strong name and it is therefore paper worth buying."

At BB-/B1, the bank's subordinated debt is rated the same as the Republic of Lebanon, implying that its rating would be higher if the sovereign ceiling were lifted.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
BOB Finance(Ireland)(a)‡	100	(a1)	100.00	Dec 1998	0.03	-	Paribas
Parmalat Capl Finance(b1)‡	100	(b1)	100.00	undated	undisc	-	Merrill Lynch Intl
Bqe du Liban et d'Outre Mer	75	9.00	99.517R	Dec 2005	1.25R	+300(5¾%-05)	SBCWDR
D-MARKS							
Kingdom of Denmark	500	5.00	99.637R	Jan 2003	0.25R	+10(4½Aug02)	ABN-Amro Hoare Govett
STERLING							
PHF Securities, A1(c,f)#	100	7.1875	99.591R	Jul 2025	0.825R	+80(8%-2021)	Dresdner/Merrill Lynch
PHF Securities, A2(c,f)	60	8.1254	100.03R	Jul 2025	1.00R	+170(8%-21)	Dresdner/Merrill Lynch
Parmalat Capl Finance(b2)	100	9.375	100.00	undated	undisc	-	Merrill Lynch Intl
Polaris Funding Corp(d)‡	33	(d1)	100.00	Sep 2007	0.25	-	Merrill Lynch Intl
SWISS FRANCS							
DSL Bank	150	3.00	101.75	Dec 2002	2.00	-	CSFB
Polaris Funding Corp(d)‡	140	(d2,f)	100.00	Oct 2001	0.175	-	Merrill Lynch Capl Mkts
ITALIAN LIRE							
Inter-American Dev Bank‡	150bn	(e)	100.908	Dec 2007	1.875	-	Caboto/JP Morgan Secs
Parmalat Capl Finance(b3)‡	150bn	(b3)	100.00	undated	undisc	-	Merrill Lynch Intl
GUILDERS							
Deutsche Ausgleichsbank	200	5.25	99.97R	Dec 2003	0.275R	+15(6¾Apr03)	ABN-Amro Hoare Govett
EUROS							
Crédit Local de France(f)	100	5.375	101.85	Jan 2004	1.875	-	BIL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) $300m launched on 21/11/97 was increased to $400m. a1) 1-mth Libor –8bp. b1) Callable from Dec 07 at par. Puttable on 20/12/17 at par, 3-mth Libor +225bp. b2) Puttable on 20/12/17 at par. b3) Callable from Dec 02 at par. Puttable on 20/12/17 at par. 3-mth Libor +225bp. c) Originator: Principal Healthcare Finance. Backed by nursing homes. d) Repackaged investment grade bonds, guaranteed by Capital Markets Assurance Corp. d1) 3-mth Libor +28bp. d2) 6-mth Libor +15bp. e) 11.45% to Dec 98, then 7% to Dec 00, then 15.5% –2 x 12-mth Libor. f) Paid in Ecu prior to Emu. j) Long 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 1	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/98	6.250	101.2980	5.18	+0.01	-0.16	+0.36	-1.22
	10/07	10.000	127.2850	6.21	+0.03	+0.26	-0.27	-0.94
Austria	08/99	7.000	104.2300	4.48	-0.02	-0.02	-0.02	-0.85
	07/07	5.625	100.8500	5.63	-	-0.05	-0.12	-0.20
Belgium	04/99	7.000	103.8100	4.27	-0.03	-0.03	-0.06	+0.94
	03/07	6.250	104.6300	5.59	-0.01	-0.04	+0.15	-0.19
Canada	03/99	4.000	98.4300	4.48	-0.01	+0.34	+0.54	+0.83
	06/07	7.250	112.1000	5.57	-0.03	+0.11	+0.10	-0.43
Denmark	12/99	6.000	102.4800	4.68	-0.03	-0.05	+0.11	-0.51
	11/07	7.000	107.8200	5.92	+0.01	-0.04	-0.23	-0.62
Finland	01/99	11.000	107.1720	4.25	-0.01	-0.01	-0.13	+0.40
	04/06	7.250	110.4870	5.64	+0.01	-0.09	-0.17	-0.65
France	11/98	7.000	104.8900	4.31	-0.01	-0.03	-0.05	+0.59
	10/04	6.750	108.8800	5.18	-0.01	-0.04	-0.10	-0.10
	10/07	5.500	100.4000	5.44	-0.01	-0.05	+0.16	-0.14
	10/25	6.000	99.9600	6.00	-0.01	-0.05	-0.20	-0.63
Germany	06/98	3.500	98.9900	4.18	-0.01	-0.04	-0.02	+0.76
	07/04	6.750	108.3000	5.23	-	-0.04	-0.05	-0.04
	07/07	6.000	103.9800	5.45	-	-0.05	-0.13	+0.17
	07/27	6.500	106.3900	6.03	-0.01	-0.07	+0.18	-0.50
Ireland	04/98	6.250	101.2700	5.21	-	+0.14	+0.18	-0.48
	08/06	8.000	114.4800	5.83	-0.01	-0.10	-0.23	+0.70
Italy	05/00	6.000	102.0600	5.09	-0.01	-0.11	-0.33	-1.40
	05/02	6.250	103.2900	5.40	-0.03	-0.09	+0.26	-1.42
	07/07	6.750	106.6400	5.83	-0.04	+0.11	-0.34	-1.68
	11/26	7.250	111.9000	6.35	-0.04	-0.11	-0.35	-1.69
Japan	06/99	4.800	106.7300	0.40	-	+0.04	-0.08	-0.35
	12/02	4.000	117.2000	1.26	-0.02	-	+0.02	-0.54
	09/05	3.000	108.8700	1.77	-0.02	-0.02	+0.09	-0.65
	03/17	3.500	112.8600	2.64	-0.02	-0.02	+0.17	-0.60
Netherlands	06/99	7.000	104.6100	4.30	+0.02	-0.03	-0.02	+0.86
	02/07	5.750	102.3000	5.42	-0.01	-0.05	+0.14	+0.13
New Zealand	02/00	6.000	99.1426	6.92	+0.04	+0.01	+0.06	+0.04
	11/06	8.000	108.3699	6.72	+0.02	+0.11	+0.20	-0.32
Norway	01/99	9.000	105.0400	4.42	-0.02	+0.03	-0.08	-0.20
	01/07	6.750	108.0600	5.59	-	-0.03	-0.21	-0.70
Portugal	03/99	8.500	104.4068	4.89	-0.02	-0.04	-0.15	-1.32
	02/07	6.625	106.6184	5.83	+0.02	-0.05	-0.18	-1.12
Spain	07/98	7.400	104.2400	4.65	+0.01	-0.03	-0.19	-1.27
	03/07	7.350	111.3919	5.74	-	-0.07	-0.24	-1.25
Sweden	01/99	11.000	108.1900	5.20	+0.01	+0.08	+0.12	+0.16
	08/07	8.000	112.8570	6.19	-0.04	-0.04	-0.18	-0.82
Switzerland	03/99	4.000	102.6000	1.90	-	-0.11	+0.12	-0.27
	06/07	4.000	107.9500	3.50	-0.01	-0.02	-0.07	-0.41
UK	08/98	6.000	99.3200	7.08	-0.02	+0.07	+0.22	+0.45
	11/04	6.750	100.6875	6.63	+0.01	-	+0.05	-0.52
	12/07	7.250	105.4375	6.50	+0.01	-0.02	-0.04	-0.94
	06/21	8.000	119.3750	6.40	+0.01	-0.06	-0.07	-1.10
US	07/99	5.875	100.1250	5.79	-0.04	+0.04	+0.15	+0.21
	05/04	7.250	107.4220	5.85	-0.05	-0.02	+0.01	+0.02
	08/07	6.125	102.1020	5.84	-0.04	-0.01	-0.01	-0.20
	08/27	6.375	104.2030	6.07	-0.03	-0.06	-0.08	-0.28
ECU	03/99	5.000	100.4100	4.64	+0.02	-0.03	+0.03	+0.58
	04/07	5.500	99.2600	5.60	+0.01	-0.04	-0.16	-0.39

London closing. *New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Dec 1	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.21	+0.76	+0.37
Austria	5.53	+0.08	-0.31
Belgium	5.59	+0.14	-0.25
Canada	5.57	+0.12	-0.27
Denmark	5.93	+0.48	+0.09
Finland	5.64	+0.19	-0.20
France	5.44	-0.01	-0.40
Germany	5.45	-	-0.39
Ireland	5.83	+0.38	-0.01
Italy	5.83	+0.38	-0.01
Japan	1.77	-3.68	-4.07
Netherlands	5.42	-0.03	-0.42
New Zealand	6.72	+1.27	+0.88
Norway	5.60	+0.15	-0.24
Portugal	5.83	+0.38	-0.01
Spain	5.74	+0.29	+0.10
Sweden	6.26	+0.81	+0.42
Switzerland	3.50	-1.95	-2.34
UK	6.50	+1.05	+0.66
US	5.84	+0.39	-
ECU	5.60	+0.15	-0.24

Source: Interactive Data/FT Information. London closing. ' New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Dec 1	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	94.5073	8.57	+0.24	+0.39	+2.77
Poland	07/00	7.750	BBB-	102.3791	6.70	-0.07	+0.32	-0.92
Russia	11/01	8.250	BB-	95.1507	10.81	-0.01	-0.03	+5.02
LATIN AMERICA								
Argentina	01/17	11.375	BB	105.6672	10.69	-0.08	-0.83	+4.73
Brazil	11/01	8.875	BB-	97.5880	8.63	-	-0.18	+3.84
Mexico	01/07	8.875	BB	103.7734	9.26	-0.06	-0.14	+3.41
ASIA								
China	07/06	7.750	BBB+	105.2443	6.91	+0.02	-0.56	+1.06
Philippines	10/16	6.750	BB+	98.5484	10.12	-0.01	+0.15	+4.20
Thailand	04/07	7.750	A-	86.6484	9.63	-0.77	-0.25	+3.79
AFRICA/MIDDLE EAST								
Lebanon	07/00	8.125	BB-	102.7511	7.90	-0.34	+0.03	+2.12
South Africa	12/09	8.625	BB+	104.5778	7.16	-0.12	-0.48	+1.42
Turkey	05/02	10.000	B	101.4556	9.56	+0.04	-0.58	+3.76
BRADY BONDS								
Argentina	03/23	5.500	BB	70.9551	8.86	+0.15	+0.06	+2.87
Brazil	04/24	5.250	B+	68.7055	8.04	+0.24	+0.18	+3.04
Mexico	12/19	6.250	BB	80.3326	8.18	-0.01	-0.22	+2.24
Venezuela	03/20	6.750	B+	87.1656	7.99	-0.01	-0.04	+2.02

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	100.24	100.30	+0.02	100.34	100.20	58,513	96,985
Mar	99.74	99.78	+0.02	99.82	99.68	8,560	31,231
Jun	99.14	99.20	+0.02	99.14	99.14	2	12

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	Jan	Mar	PUTS Dec	Jan	Mar
97	3.14	2.68	2.85	-	0.02	0.23
98	2.14	1.70	2.03	-	0.08	0.41
99	1.15	0.85	1.33	0.01	0.21	0.69
100	0.20	0.29	0.77	0.08	0.64	1.13
101	0.01	0.08	0.38	0.87	1.42	1.74

Est. vol. total, Calls 26,552 Puts 28,604. Previous day's open int., Calls 103,012 Puts 132,436.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.97	103.98	+0.04	104.02	103.82	129424	220911
Mar	103.28	103.29	-0.03	103.32	103.13	48882	58732

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
10300	0.58	0.85	1.06	1.20	0.29	0.58	0.77	1.60
10350	0.31	0.59	0.80	0.99	0.52	0.80	1.01	1.89
10400	0.14	0.39	0.58	0.81	0.85	1.10	1.29	2.21

Est. vol. total, Calls 12858 Puts 7101. Previous day's open int., Calls 109935 Puts 109242

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.05	104.03	-0.04	104.08	103.99	74,925	223,889
Mar	103.37	103.38	-0.01	103.42	103.33	31,492	75,945

NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.07	104.04	-0.01	104.07	103.99	4,649	12,313
Mar	103.42	103.38		103.38	103.34	1,256	4,319

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	113.70	113.91	+0.17	113.95	113.61	64075	96098
Mar	114.10	114.39	-0.32	114.44	114.00	47805	30232

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	Jun	PUTS Mar	Jun
11400	1.19	1.69	0.80	1.30
11450	0.91	1.44	1.02	1.55
11500	0.68	1.21	1.29	1.82

Est. vol. total, Calls 603 Puts 1582. Previous day's open int., Calls 21544 Puts 26860

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	105.04	105.15	-0.01	105.20	105.00	35,904	103,293
Mar	104.58	104.71	-0.02	104.72	104.58	3,976	8,294

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	119-00	119-00	-0-02	119-11	118-27	14638	65993
Mar	119-24	119-24	-0-02	120-02	119-18	26455	132818

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
119	1-13	1-42	1-60	0	0-29	0-58	1-12	14-50
120	0-40	1-07	1-24	0	0-56	1-23	1-40	15-50
121	0-17	0-45	0-60	0	1-33	1-61	2-12	16-50

Est. vol. total, Calls 934 Puts 1115. Previous day's open int., Calls 37859 Puts 17865

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	99.32	99.40	+0.06	99.42	99.26	603	7,764
Mar	99.14	99.14	+0.06	99.18	99.10	86	596

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	119-04	119-06	-	119-14	119-03	42,817	268,547
Mar	118-29	119-01	-	119-09	118-28	118,509	402,176
Jun	118-29	118-23	-	118-28	118-22	570	14,753

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	130.32			130.25	130.11	2683	n/a
Mar	129.18			129.24	129.10	2658	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Dec 1	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	103.7532	6.29	-9.99	+0.03	+0.45
NY Tel	08/25	7.00	A+	97.9025	7.17	-9.99	-0.02	+1.12
CWE	05/08	8.00	BBB	108.5278	6.84	-9.99	-0.02	+0.97
FINANCIALS								
GECC	05/07	8.75	AAA	116.1986	6.43	-9.99	-0.01	+0.56
Banc One	08/02	7.25	A+	103.5446	6.35	-9.99	+0.05	+0.51
US West	01/07	7.30	BBB-	102.5497	6.91	-9.99	-0.05	+1.04
INDUSTRIALS								
WMX Tech	04/99	6.25	A-	99.5773	6.57	-9.99	+0.44	+0.80
Wal Mart	05/02	6.75	AA	101.8901	6.25	-9.99	+0.03	+0.41
Dayton Hud	08/21	9.70	BBB+	128.7980	7.15	-9.99	-0.14	+1.10
AGENCIES								
FHLMC	04/07	7.14	N/A	106.8380	6.18	-9.99	-0.02	+0.29
SLMA	03/00	7.50	N/A	103.2736	5.93	-9.98	+0.12	+0.12
FNMA	02/18	8.95	N/A	127.9823	6.45	-9.99	-0.15	+0.40
FFCB	06/06	6.95	N/A	118.1588	6.17	-9.99	+0.01	+0.30
HIGH YIELD								
Stone Cont	02/01	8.88	B	101.7500	0.00	-	-	-
AK Stl	12/01	9.13	BB-	103.2500	0.00	-	-	-
Pacalta	08/04	10.75	B-	99.1250	0.00	-	-	-

New York closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.76
Broker loan rate	7¾	Two month	-	Three year	5.78
Fed.funds	5¾	Three month	5.21	Five year	5.82
Fed.funds at intervention	-	Six month	5.44	10-year	5.85
		One year	5.51	30-year	6.03

INTERNATIONAL BONDS

Dec 1	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	101.8800	5.51	-	-0.14	-0.06
Spain	01/07	5.750	AA	101.0500	5.60	-0.01	-0.15	-0.15
Philip Morris	03/04	5.375	A	98.7200	5.62	-	-0.04	-0.39
ABN Amro FRN	03/05	3.825	n/a	99.6397	5.46	-0.02	-0.09	-0.13
EURO FFR								
Austria	01/04	5.500	AAA	101.5200	5.20	-	-0.14	+0.02
Abbey Nat	02/04	6.000	AA	103.4400	5.33	-	-0.04	-0.15
Cred Foncier	02/04	9.125	A	117.5300	5.69	+0.06	-0.02	+0.51
Abbey Nat FRN	09/08	4.510	n/a	101.6556	4.28	-0.01	-0.14	-1.06
EURO LIRA								
EIB	02/07	7.000	AAA	108.6500	5.76	-0.02	-0.26	-0.07
Abbey Nat	02/02	6.800	AA	104.3000	5.48	-0.03	-0.29	-0.07
Walt Disney	05/00	8.625	n/a	107.3200	5.45	-0.01	-0.37	+0.36
Abbey Nat FRN	03/07	6.000	AA+	104.1590	8.81	-0.02	-0.83	+0.98
EURO £								
EIB	12/07	7.625	AAA	105.5000	6.85	+0.03	-0.02	+0.35
Dresdner Bk	12/07	7.750	AA-	103.4003	7.28	+0.01	+0.14	-0.78
RBS	01/07	8.375	A+	106.1468	7.42	+0.01	+0.07	+0.92
Abbey Nat FRN	02/02	7.830	AA	100.0352	6.76	-0.01	+0.09	-
EURO $								
EIB	04/07	7.250	AAA	106.7455	6.27	-	-0.02	+0.43
ABN Amro	08/07	7.125	AA-	103.7403	6.59	-	+0.02	+0.75
Quebec	01/07	7.000	A+	102.7731	6.59	-0.01	-	+0.75
Citicorp FRN	02/04	5.938	A+	99.5217	6.03	-0.02	+0.20	+0.21
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.1929	5.93	+0.05	+0.20	+0.21
Toronto	05/04	8.500	AA+	114.0678	5.82	+0.02	+0.15	+0.10
Bell Canada	07/09	10.625	A+	108.0669	5.24	+0.10	+0.32	+0.06
Deutsche B FRN	09/02	5.875	AAA	101.2213	5.58	+0.08	+0.24	-0.04
EURO YEN								
World Bank	03/02	5.250	AAA	117.6000	1.06	-	-0.10	-0.03
Spain	03/02	5.750	AA	119.4000	1.11	+0.03	-0.08	+0.03
Cred Foncier	08/02	4.750	A	114.2349	1.57	-0.01	-0.01	+0.49
Italy FRN	07/99	0.594	AA	100.3709	0.23	-0.02	-0.03	-0.17

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price indices UK Gilts	Mon Dec 1	Day's change %	Fri Nov 28	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	118.72	0.04	118.57	1.59	10.39
2 5-15 years (20)	158.29	-0.03	158.81	1.49	11.88
3 Over 15 years (4)	188.11	-0.12	188.33	0.84	14.12
4 Irredeemables (4)	229.57	-0.01	229.59	1.21	14.48
5 All stocks (47)	149.39	-0.02	148.62	1.47	11.86
Index-linked					
6 Up to 5 years (2)	211.40	0.04	211.32	1.02	6.09
7 Over 5 years (10)	215.74	0.10	215.53	1.42	5.76
8 All stocks (12)	214.21	0.09	214.02	1.37	5.76

UK Indices

	Low coupon yield Dec 1	Nov 28	Yr. ago	Medium coupon yield Dec 1	Nov 28	Yr. ago	High coupon yield Dec 1	Nov 28	Yr. ago
5 yrs	6.70	6.70	7.14	6.80	6.80	7.19	6.82	6.84	7.23
15 yrs	6.63	6.57	7.86	6.45	6.46	7.64	6.55	6.56	7.82
20 yrs	6.52	6.61	7.72	6.43	6.42	7.60	6.54	6.54	7.66
Irred.†	6.54	6.53	7.73						

	Inflation 5% Dec 1	Nov 28	Yr. ago	Inflation 10% Dec 1	Nov 28	Yr. ago
Up to 5 yrs	3.17	3.18	3.14	2.43	2.46	2.46
Over 5 yrs	3.06	3.08	3.49	2.87	2.88	3.29

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Dec 1	Nov 28	Nov 27	Nov 26	Nov 25	Yr ago	High*	Low*
Govt. Secs. (UK)	100.33	100.28	100.07	100.19	100.22	95.83	101.83	93.21
Fixed Interest	132.06	132.06	131.88	131.88	131.81	117.38	133.54	115.32

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Dollar benefits from Korean woes

MARKETS REPORT

By Simon Kuper

The dollar hit its highest level against the yen since May 1992 and the pound rose to just below DM3.00 against the D-Mark, helped by continued gloom over Asia.

"All we've done today is extend the recent trends," said Marc Chandler, senior currency economist at Deutsche Morgan Grenfell in New York.

South Korea said it had reached agreement with the International Monetary Fund on terms for a loan to bail out its economy. But the market focussed on the damage that the IMF's stiff conditions could do to Korea's economy, and on the risk of continued Asian financial contagion. The World Bank, the Asian Development Bank and other countries are to contribute to the Korean rescue package, but currency strategists said the expectedsums were low. Michael Burke, senior economist at Citibank in London, said: "As James Brady said, 'A billion dollars here, a billion there, and soon you are talking real money.' But $6bn-9bn from the World Bank is a drop in the ocean."

The Korean won fell, prompting a further slide in the yen, which dropped through strong support at Y128 to the dollar. Concerns remain over Japanese financial institutions, two of which collapsed last week.

Richard Medley, president of Medley Investment Group, the hedge fund adviser, said that strong falls in the Japanese stock market could drag other Asian currencies lower. He also said that a dollar as high as Y140 or Y150 against the yen "would be a political disaster in the US". Traders fear the Bank of Japan might sell dollars if the yen hits Y130.

Mr Chandler said the Asian market turmoil was likely to continue beyond the Korean presidential elections of December 18, because the winner may try to renegotiate the IMF loan. The three candidates have called the IMF package "shameful".

The D-Mark suffered from the growing belief that German rates would rise only slowly in the run-up to monetary union, and from turmoil in eastern Europe. The Czech krone hit a record low after the country's government resigned on Friday. The Czech National Bank raised its key repo rates to defend the currency. Fears grew over Russian government finances.

The dollar jumped Y1.7 against the yen and 1.2 pfennigs against the D-Mark to close in London at Y129.3 and DM1.777. A weaker than expected US National Association of Purchasing Management index for November was shrugged off, as most US data have been recently.

■ The pound benefited from a strong UK purchasing managers' index for manufacturing for November. UK consumption is thought to be solid in the run-up to Christmas. "It is hard to judge the strength of sales," said ABN-Amro, "because you can't walk down the crowded streets."

Sterling rose 2.2 pfennigs to DM2.984, a 16-week high.

■ The dollar and Wall Street seem to have risen above earlier fears that the Asian crisis would hit the American economy, currency strategists said. Avinash Persaud, global head of currency research at J.P. Morgan in Europe, noted: "You are seeing the markets break free from concern that global contagion is going to sweep across all markets."

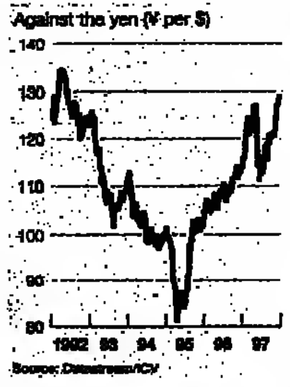
Conversely, the currency market is no longer as sure as it was that Germany is a safe haven from Asia's problems. Mr Burke points out that Germany is more reliant than the US on exports for economic growth. Furthermore, European banks account for 42 per cent of total loans to Asia.

■ The Bank of Canada had to intervene again yesterday to support its currency, which has failed to benefit from last week's rise in interest rates. More bad news came as Canada's current account deficit widened sharply in the third quarter. Gordon Thiessen, governor of the Bank of Canada, said the country's "extraordinary monetary stimulus of the recent past" would no longer be needed.

The Canadian dollar closed unchanged against the US dollar at C$1.424, but most currency strategists believe that rates will rise again soon.

Dollar

Against the yen (Y per $)



Source: Datastream/ICV

■ Pound in New York

Dec 1	—Latest—	— Prev. close —
£ spot	1.6840	1.6865
1 mth	1.6817	1.6853
3 mth	1.6768	1.6813
1 yr	1.6657	1.6590

■ OTHER CURRENCIES

Dec 1	£	$
Czech Rp	59.4455 - 59.5268	35.2960 - 35.3350
Hungary	337.362 - 337.547	200.310 - 200.360
Iran	5054.16 - 5052.60	3000.00 - 3000.00
Kuwait	0.5125 - 0.5129	0.3043 - 0.3044
Poland	5.9974 - 6.0043	3.5616 - 3.5640
Russia	16637.83	
	10045.87	5960.00 - 5963.00
U.A.E.	6.1857 - 6.1879	3.6728 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Dec 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.0696	+0.1543	629 - 763	21.0789	20.8968	20.9998	4.0	20.8739	3.7	20.3632	3.4	102.4
Belgium	(BFr)	61.7597	+0.4488	394 - 779	61.7760	61.2890	61.1018	4.1	60.7191	3.9	59.1531	3.5	101.9
Denmark	(DKr)	11.3974	+0.0851	936 - 012	11.4025	11.3054	11.2772	3.7	11.2119	3.6	10.9945	3.2	104.3
Finland	(FM)	9.0558	+0.0738	500 - 612	9.0815	8.9760	8.9499	4.3	8.8942	3.9	8.6808	3.4	80.7
France	(FFr)	10.0190	+0.0728	166 - 216	10.0243	9.9460	9.9153	4.1	9.8499	3.9	9.5673	3.5	105.3
Germany	(DM)	2.9839	+0.0222	830 - 947	2.9861	2.9697	2.9621	3.9	2.9436	3.6	2.8673	3.5	103.0
Greece	(Dr)	469.596	+3.238	370 - 762	469.785	465.245	469.667	-6.0	472.883	-5.6	498.233	-6.4	65.5
Ireland	(I£)	1.1462	+0.0101	452 - 471	1.1476	1.1339	1.1351	1.1	1.1324	1.3	1.1113	2.2	97.1
Italy	(L)	2931.41	+19.99	875 - 306	2933.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	75.9
Luxembourg	(LFr)	61.7597	+0.4488	394 - 779	61.7760	61.2890	61.1018	4.1	60.7191	3.9	59.1531	3.5	101.9
Netherlands	(Fl)	3.3740	+0.0247	728 - 751	3.3795	3.3465	3.3378	4.1	3.3172	3.9	3.2311	3.5	101.2
Norway	(NKr)	12.2125	+0.0986	105 - 144	12.2206	12.1108	12.0752	4.1	12.0049	3.7	11.7303	3.5	98.6
Portugal	(Es)	305.986	+2.279	692 - 178	306.203	303.376	302.67	2.6	301.668	2.9	294.813	2.9	91.4
Spain	(Pta)	253.122	+1.876	017 - 227	253.400	251.070	250.721	2.6	249.577	2.7	243.807	2.9	76.7
Sweden	(SKr)	13.1821	+0.1436	442 - 699	13.1828	13.0153	12.9741	3.2	12.915	2.9	12.7055	2.3	84.9
Switzerland	(SFr)	2.4133	+0.0113	121 - 145	2.4151	2.3880	2.3864	6.3	2.3678	6.7	2.2707	5.5	108.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.8
Ecu	-	1.5008	+0.0102	001 - 104	1.5110	1.4987	1.4957	3.2	1.4882	3.0	1.4557	2.9	-
SDR†	-	1.241500											
Americas													
Argentina	(Peso)	1.6843	+0.0002	840 - 845	1.6904	1.6763							
Brazil	(R$)	1.8682	-0.0005	678 - 685	1.8753	1.8587							
Canada	(C$)	2.3984	+0.0002	976 - 992	2.4066	2.3877	2.3906	3.9	2.378	3.4	2.3284	2.6	82.7
Mexico	(New Peso)	13.7763	-0.0568	693 - 842	13.8000	13.7610	13.9047	-14.0	14.3158	-14.8	15.6364	-13.0	-
USA	($)	1.6845	-0.0003	842 - 847	1.6910	1.6759	1.6825	1.6	1.6778	1.7	1.6563	1.7	108.0
Pacific/Middle East/Africa													
Australia	(A$)	2.4846	+0.0225	838 - 859	2.4874	2.4716	2.4857	2.7	2.4461	2.9	2.4034	2.4	87.5
Hong Kong	(HK$)	13.0259	+0.0019	222 - 295	13.0718	12.9576	13.0318	-0.7	13.0686	-1.8	13.3866	-2.6	-
India	(Rs)	66.1464	+1.14	880 - 067	66.0440	65.0400							
Israel	(Shk)	5.9484	-0.014	417 - 551	5.9666	5.9416							
Japan	(Y)	217.749	+2.725	549 - 949	217.890	214.670	213.548	8.2	211.058	7.4	199.873	7.0	118.9
Malaysia	(M$)	6.0097	+0.126	008 - 186	6.0248	5.9193	5.8784	0.7	5.8693	-0.5	6.0141	-2.3	-
New Zealand	(NZ$)	2.7621	+0.0304	601 - 641	2.7648	2.7408	2.7307	0.4	2.7288	0.4	2.725	0.2	105.9
Philippines	(Peso)	58.9558	+0.2742	786 - 330	59.2669	58.7669	59.2302	-13.3	60.099	-14.5	66.3942	-13.1	-
Saudi Arabia	(SR)	6.3176	-0.0014	166 - 186	6.3423	6.2858	6.3128	1.2	6.2979	1.3	6.2279	1.4	-
Singapore	(S$)	2.7002	+0.0171	981 - 023	2.7035	2.6885	2.6812	0.8	2.6775	0.8	2.656	1.0	-
South Africa	(R)	8.1824	+0.0101	886 - 961	8.2014	8.1600	8.2469	-9.5	8.3466	-8.0	8.7486	-6.9	-
South Korea	(Won)	1996.07	+25.7	072 - 142	2002.12	1963.98	-	-	-	-	-	-	-
Taiwan	(T$)	54.1475	-0.2488	645 - 305	54.4962	53.9472	54.3421	1.2	54.2183	1.3	53.6825	1.3	-
Thailand	(Bt)	68.8435	+1.03	490 - 379	69.5390	64.0300	68.2359	-7.5	68.8559	-5.0	70.9728	-4.7	-

† Rates for Nov 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.5083	+0.0942	062 - 104	12.5160	12.3983	12.4841	2.3	12.4453	2.0	12.2932	1.7	102.5
Belgium	(BFr)	36.6840	+0.274	580 - 700	36.6730	36.3410	36.5805	2.7	36.466	2.2	35.983	1.9	102.0
Denmark	(DKr)	6.7663	+0.052	650 - 675	6.7688	6.7064	6.7536	2.3	6.735	1.9	6.6628	1.5	103.8
Finland	(FM)	5.3760	+0.0449	735 - 785	5.3798	5.3260	5.3634	2.8	5.3463	2.2	5.285	1.7	80.4
France	(FFr)	5.9479	+0.0444	474 - 484	5.9520	5.8960	5.9348	2.6	5.9154	2.2	5.8057	1.9	105.1
Germany	(DM)	1.7774	+0.0135	771 - 776	1.7786	1.7617	1.7739	2.4	1.7681	2.1	1.7445	1.9	102.3
Greece	(Dr)	278.765	+1.98	690 - 840	278.916	276.450	280.715	-8.4	283.79	-7.2	302.34	-8.2	65.4
Ireland	(I£)	1.4887	-0.0133	867 - 707	1.4825	1.4683	1.4689	6.6	1.4684	0.4	1.4772	-0.5	-
Italy	(L)	1740.28	+12.23	955 - 100	1741.90	1727.00	1740.64	-0.2	1740.96	-0.2	1728.65	0.7	75.9
Luxembourg	(LFr)	36.6840	+0.274	580 - 700	36.6730	36.3410	36.5805	2.7	36.466	2.2	35.983	1.8	102.0
Netherlands	(Fl)	2.0030	+0.015	026 - 034	2.0043	1.9851	1.9986	2.6	1.9923	2.1	1.9656	1.9	101.5
Norway	(NKr)	7.2501	+0.0583	500 - 502	7.2576	7.1848	7.234	2.7	7.2138	2.0	7.1451	1.5	98.1
Portugal	(Es)	181.600	+1.39	500 - 700	181.750	179.980	181.455	1.6	181.202	0.9	179.4	1.2	92.2
Spain	(Pta)	150.270	+1.145	230 - 316	150.320	149.916	150.15	1.0	149.903	1.0	148.335	1.3	76.6
Sweden	(SKr)	7.8079	+0.0869	044 - 114	7.8243	7.7468	7.7972	1.6	7.7855	1.1	7.7554	0.6	55.1
Switzerland	(SFr)	1.4327	+0.007	322 - 332	1.4349	1.4230	1.4272	4.6	1.4182	4.1	1.377	3.9	108.2
UK	(£)	1.6845	-0.0003	842 - 847	1.6916	1.6759	1.6822	1.7	1.6773	1.7	1.6562	1.7	104.7
Ecu	-	1.1157	-0.0079	154 - 160	1.1232	1.1150	1.1173	-1.7	1.1195	-1.4	1.1302	-1.3	-
SDR†	-	0.73700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.1081	-0.0002	080 - 081	1.1086	1.1065	-	-	-	-	-	-	-
Canada	(C$)	1.4239	+0.0004	236 - 241	1.4258	1.4230	1.4214	2.1	1.4182	1.6	1.4077	1.1	82.7
Mexico	(New Peso)	8.1785	-0.032	750 - 820	8.1830	8.1710	8.2855	-15.7	8.4855	-15.0	9.3585	-14.4	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.1
Pacific/Middle East/Africa													
Australia	(A$)	1.4750	+0.0135	745 - 756	1.4784	1.4716	1.4742	6.7	1.4716	6.9	1.4609	1.0	88.6
Hong Kong	(HK$)	7.7330	+0.0027	320 - 340	7.7345	7.7305	7.7485	-2.4	7.806	-3.6	8.088	-4.6	-
India	(Rs)	39.2700	+0.685	400 - 000	39.3100	38.6200	-	-	-	-	-	-	-
Israel	(Shk)	3.5314	-0.0075	279 - 348	3.5423	3.5265	-	-	-	-	-	-	-
Japan	(Y)	129.270	+1.645	230 - 310	129.320	127.840	128.575	6.5	127.43	5.7	122.24	5.4	121.4
Malaysia	(M$)	3.5678	+0.0768	630 - 725	3.5800	3.5150	3.5708	-1.0	3.5873	-2.2	3.7025	-3.5	-
New Zealand	(NZ$)	1.6397	+0.0183	386 - 407	1.6451	1.6349	1.6428	-2.3	1.6493	-2.1	1.667	-1.7	-
Philippines	(Peso)	35.0000	+0.17	000 - 000	35.4000	34.8000	35.391	-13.4	36.3025	-14.9	39.9885	-14.3	-
Saudi Arabia	(SR)	3.7508	-	505 - 506	3.7508	3.7504	3.7521	-0.5	3.754	-0.4	3.7599	-0.2	-
Singapore	(S$)	1.6030	+0.0104	020 - 040	1.6045	1.5942	1.606	-3.7	1.6125	-2.4	1.622	-1.2	-
South Africa	(R)	4.8635	+0.007	620 - 650	4.8665	4.8545	4.9085	-11.1	4.9805	-9.6	5.2847	-8.7	-
South Korea	(Won)	1185.00	+15.5	200 - 800	1189.00	1165.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.1455	-0.141	010 - 900	32.3950	32.0950	32.1565	-0.4	32.179	-0.4	32.258	-0.3	-
Thailand	(Bt)	40.8700	+0.62	200 - 200	41.3000	38.0000	41.205	-9.8	41.565	-6.7	43.52	-6.5	-

† SDR rate per $ for Nov 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 28: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.02
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	4	-	2.75	3.30
Switzerland	1	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.25	5.45	5.53	5.67	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	4 - [illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc	[illegible] - 5	[illegible]	[illegible]	[illegible]	5 - [illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible] - 5	5 - [illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2 - [illegible]
Canadian Dollar	[illegible]	4 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	6 - 5½	6 - 5½	6 - 5½	6 - 5½	6 - 5½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.28	96.28	-	96.29	96.27	7,593	50,384
Mar	96.11	96.08	-0.01	96.11	96.05	935	62,693
Jun	95.87	95.86	-0.01	95.88	95.86	234	32,007

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.20	96.21	-	96.22	96.20	21656	282438
Mar	96.09	96.06	-0.01	96.09	96.07	21781	325193
Jun	95.89	95.88	-0.01	95.89	95.87	13534	294032
Sep	95.71	95.70	-0.01	95.71	95.68	13172	216027

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.21	96.21	-	96.21	96.21	1200	7953
Jan		96.34	-0.01			0	600
Feb		96.26	-0.01			0	100
Mar		96.17	-0.01			0	100

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.99	94.00	+0.02	94.00	93.94	10520	112238
Mar	94.74	94.77	+0.03	94.77	94.68	12850	124511
Jun	95.22	95.23	+0.03	95.24	95.17	10316	125758
Sep	95.37	95.37	+0.02	95.38	95.34	4761	69633

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.11	98.17	+0.07	98.18	98.11	7437	57696
Mar	98.13	98.22	+0.09	98.25	98.13	15314	45033
Jun	97.99	98.05	+0.16	98.08	97.98	3091	33437
Sep	97.85	97.88	+0.08	87.93	97.83	650	18361

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.29	99.28	-0.06	99.29	99.29	726	0
Mar		99.39	-0.03			6	6
Jun		99.38	-0.03			0	0

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.45	95.46	+0.01	95.46	95.43	553	8786
Mar	95.40	95.41	+0.01	95.41	95.39	469	6992
Jun	95.35	95.37	+0.01	95.37	95.35	236	6370
Sep	95.33	95.33	-	95.34	95.32	214	7484

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9400	0.08	0.80	1.25	0.08	0.03	0.02
9425	0.02	0.58	1.01	0.27	0.06	0.03
9450	0	0.38	0.79	0.50	0.11	0.06

Est. vol. total, Calls 14160 Puts 1386. Previous day's open int., Calls 232673 Puts 141101

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.22	4.848	1.856	4747	5.468	18.77	495.3	409.9	21.30	3.908	1.619	3.884	2.727	352.6	2.445
Denmark	(DKr)	54.19	10	8.790	2.627	1.006	2572	2.960	10.72	268.4	222.1	11.54	2.117	0.877	2.104	1.478	191.0	1.325
France	(FFr)	61.64	11.38	10	2.988	1.144	2926	3.368	12.19	305.3	252.6	13.13	2.409	0.998	2.394	1.681	217.3	1.507
Germany	(DM)	20.63	3.807	3.346	1	0.383	979.1	1.127	4.079	102.2	84.54	4.393	0.806	0.334	0.801	0.563	72.73	0.504
Ireland	(I£)	53.89	9.944	8.742	2.612	1	2558	2.944	10.66	266.9	220.9	11.48	2.106	0.872	2.093	1.470	190.0	1.317
Italy	(L)	2.167	0.389	0.342	0.102	0.039	100	0.115	0.417	10.44	8.635	0.449	0.082	0.034	0.082	0.057	7.428	0.052
Netherlands	(Fl)	18.30	3.378	2.970	0.887	0.340	868.8	1	3.620	90.66	75.02	3.898	0.715	0.296	0.711	0.499	64.54	0.447
Norway	(NKr)	50.57	9.333	8.204	2.452	0.938	2400	2.763	10	250.5	207.3	10.77	1.976	0.819	1.964	1.379	178.3	1.236
Portugal	(Es)	20.19	3.726	3.275	0.979	0.375	958.3	1.103	3.992	100	82.75	4.300	0.789	0.327	0.784	0.551	71.18	0.494
Spain	(Pta)	24.40	4.503	3.958	1.183	0.453	1158	1.333	4.825	120.8	100	5.196	0.953	0.395	0.948	0.665	86.03	0.596
Sweden	(SKr)	46.96	8.666	7.618	2.276	0.871	2229	2.565	9.286	232.6	192.5	10	1.835	0.760	1.824	1.281	165.6	1.148
Switzerland	(SFr)	25.59	4.723	4.152	1.241	0.475	1215	1.398	5.060	126.8	104.9	5.450	1	0.414	0.994	0.698	90.23	0.626
UK	(£)	61.76	11.40	10.02	2.994	1.146	2931	3.374	12.21	305.9	253.1	13.15	2.413	1	2.399	1.685	217.6	1.516
Canada	(C$)	25.75	4.752	4.177	1.248	0.478	1222	1.407	5.092	127.5	105.5	5.483	1.006	0.417	1	0.702	90.78	0.629
USA	($)	36.66	6.766	5.948	1.777	0.680	1740	2.003	7.250	181.6	150.3	7.808	1.433	0.594	1.424	1	129.3	0.896
Japan	(Y)	28.36	5.234	4.601	1.375	0.526	1346	1.549	5.609	140.5	116.2	6.040	1.108	0.459	1.102	0.774	100	0.693
Ecu	-	40.91	7.549	6.636	1.983	0.759	1942	2.235	8.089	202.8	167.7	8.711	1.598	0.662	1.589	1.118	144.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5680	0.5638	-0.0031	0.5683	0.5629	14,038	65,893
Mar	0.5661	0.5668	-0.0030	0.5667	0.5657	3,870	6,070
Jun	-	-	-	-	-	184	4,116

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7848	0.7767	-0.0071	0.7850	0.7763	12,516	128,884
Mar	0.7920	0.7883	-0.0073	0.7960	0.7878	822	8,100
Jun	-	0.8068	-	-	-	1,255	1,540

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7038	0.6996	-0.0028	0.7042	0.6978	7,537	44,875
Mar	0.7065	0.7068	-0.0026	0.7068	0.7056	928	4,705
Jun	-	-	-	-	0.7140	489	1,289

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6870	1.6786	-0.0082	1.6870	1.6758	9,513	55,499
Mar	1.6738	1.6716	-0.0084	1.6738	1.6702	474	3,947
Jun	-	1.6630	-0.0088	-	1.6630	1,202	1,248

UK INTEREST RATES

LONDON MONEY RATES

Dec 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 2	[illegible]	7½ - 7⅜	7¾ - 7⅝	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible] - 7½	[illegible]	[illegible]
Treasury Bills	-	-	7¼ - 7⅛	[illegible]	-	-
Bank Bills	-	-	7¼ - 7⅛	[illegible]	7⅜ - 7¼	-
Local authority deps.	7⅛ - 7	7¼ - 7⅛	[illegible]	[illegible] - 7½	[illegible]	[illegible] - 7¾
Discount Market deps	7¼ - 7⅛	7¼ - 7	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Nov 28, 7.1330pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 28, 1997. Agreed rate for period Dec 24, 1997 to Jan 28, 1998, Scheme III 8.84pc. Reference rate for period Nov 1, 1997 to Nov 28, 1997, Scheme IV & V 7.601pc. Finance House Base Rate 7½pc from Dec 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.28	92.30	+0.02	92.31	92.28	14876	152725
Mar	92.22	92.25	+0.03	92.26	92.22	15950	122284
Jun	92.26	92.30	+0.04	92.31	92.26	10034	108554
Sep	92.37	92.40	+0.03	92.41	92.37	5983	83293
Dec	92.56	92.57	+0.03	92.59	92.55	2878	75510

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9225	0.08	0.15	0.29	0.03	0.15	0.21
9250	0.01	0.04	0.14	0.21	0.29	0.34
9275	0	0.01	0.06	0.46	0.51	0.51

Est. vol. total, Calls 1721 Puts 2250. Previous day's open int., Calls 288379 Puts 233784

EMS EUROPEAN CURRENCY UNIT RATES

Dec 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.796709	0.756937	-0.000454	-5.23	8.49	35
Italy	1906.48	1938.40	+1.49	1.67	1.12	-12
Spain	163.826	167.321	+0.211	2.13	0.67	-15
Finland	5.85424	5.98462	+0.00856	2.23	0.58	-15
Portugal	197.398	202.235	+0.252	2.45	0.58	-18
France	6.45863	6.62387	+0.00799	2.56	0.25	-21
Denmark	7.34555	7.53383	+0.00867	2.56	0.25	-18
Germany	1.92573	1.97935	+0.00247	2.78	0.03	-27
Belgium	39.7191	40.8275	+0.0508	2.79	0.08	-20
Netherlands	2.16979	2.23057	+0.00285	2.80	0.02	-21
Austria	13.5485	13.9302	+0.0169	2.82	0.00	-21
NON ERM MEMBERS						
Greece	295.269	310.422	+0.187	5.13	-2.20	-
UK	0.793103	0.663131	-0.005115	-16.39	22.97	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.670	1.29	2.19	2.66	1.07	2.20	2.89
1.680	0.67	1.75	2.26	1.62	2.74	3.71
1.690	0.51	1.37	1.87	2.30	-	-

Previous day's vol., Calls 91 Puts 60 . Prev. day's open int., Calls 33,171 Puts 27,195

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
0.560	0.39	1.06	1.31	0.52	0.84	1.02
0.565	0.21	0.84	1.04	0.83	1.13	1.30
0.570	0.11	0.65	0.82	1.22	1.46	1.61

Previous day's vol., Calls 836 Puts 1,020 . Prev. day's open int., Calls 10,051 Puts 32,809

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.10	94.10	-0.02	94.10	94.09	34,898	428,876
Mar	94.14	94.13	-0.04	94.15	94.12	40,187	452,833
Jun	94.09	94.09	-0.16	94.09	94.07	29,797	364,826

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.94	94.94	-	94.94	94.93	803	8,167
Mar	95.01	95.03	-	95.02	95.01	339	5,940
Jun	-	94.97	-	-	94.97	4	811

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9600	0.22	0.13	0.15	0.17	0.01	0.05	0.07	0.09
9625	0.02	0.02	0.04	0.05	0.06	0.19	0.21	0.22
9650	0	0	0.01	0.02	0.29	0.42	0.43	0.44
9675	0	0	0	0	0.54	0.67	0.67	0.67

Est. vol. total, Calls 530 Puts 7930. Previous day's open int., Calls 408945. Puts 365497

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.04	0.14	0.14	0.12	0.17	0.34
9850	0.01	0.04	0.06	0.34	0.32	0.51

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3350 Puts 3019

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.00		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

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* In administration

COMMODITIES AND AGRICULTURE

Fund selling hits base metal prices

MARKETS REPORT

By Kenneth Gooding and Gary Mead

US investment fund managers returned from their Thanksgiving holiday yesterday and speculatively sold base metals, particularly copper and zinc.

On the London Metal Exchange, copper for delivery in three months fell by $45 a tonne from Friday's close to $1,831 a tonne, the lowest since levels reached on July 16 last year in the aftermath of the Sumitomo trading scandal.

The investment funds struck as worries about copper moving into over-supply and slowing growth in Asia were making dealers increasingly bearish.

Robin Bhar, head of research at Brandeis (Brokers), said: "At first, the funds began to sell and then the trade came in. The selling is about Asian woes, although it could be argued that the Asian situation has merely hastened a decline in prices that was already under way because the market is moving into surplus."

Brandeis has reduced its copper price forecast for 1998 from $1,984 to $1,764 a tonne. "It would not be unreasonable to expect metal prices to fall by 10 to 15 per cent in 1998," Mr Bhar said.

Zinc at one point touched a 10½-month low of $1,125 a tonne before closing 2.7 per cent below Friday's level at $1,132. Jim Lennon, analyst at Macquarie Equities, said: "While market sentiment across the base metals complex is clearly still extremely bearish, we believe that in the case of zinc, there are good reasons to believe prices could be close to the bottom and are likely to pick up in 1998."

Gold weakened again, hitting another 12½-year low of $293.35 an ounce at the London morning "fixing" session. Kamal Naqvi, at Macquarie, said selling from bullion houses in Europe pushed the price through $295 before mild support appeared at $293.50. Gold closed in London at $294.80, down $2.40 from Friday's close.

Martin Squires, analyst at Rudolf Wolff, said: "Until sentiment in Asia recovers or stabilises, base metal prices are expected to remain pressurised by fund selling. However, funds will look to take profits at some stage and consumers may begin to view the current low prices as an opportunity to restock."

International coffee futures rose yesterday, with prices in both London and New York up sharply. On the London International Financial Futures Exchange prices reached a five-month peak, with the January contract closing at $1,741 a tonne, up $69 on the previous close.

The buying spree – more than 13,000 lots were traded – was led by investment funds, said traders, in a day when there was a noticeable lack of fundamental news. The market rally might be relatively short-lived, according to some specialists, with widespread market rumours that Brazil's 1998-99 crop might be as big as 40m 60 kg bags.

By midday on New York's Coffee, Sugar and Cocoa Exchange the March contract was 161.75 cents a pound, up 6.70 cents, with specialists pointing to the possibility of wet weather in Central America delaying exports to the US.

EU presses for clean-up in Karachi

The European Union begins an inspection of Karachi's fish harbour today, ahead of a decision on whether to ban seafood exports from Pakistan.

The fishing industry exports $150m of seafood a year. Just under one-third goes to Europe, with most sold in the UK and the Netherlands.

In recent years, Pakistan's image has been tarnished by controversial issues such as the use of child labour in the production of footballs and carpets for export. While fish may be a modest part of the country's $8.7bn annual exports, tighter EU restrictions would come as another blow.

"We export 31 per cent of our total exports to Europe so if they do not certify Pakistan as a country eligible to export, we will be in real trouble," says Hanif Khan, the largest exporter of pasteurised crab meat.

The EU is considering banning fish from countries such as Pakistan if they fail to meet standards on quality and health-related issues by next summer.

"The EU wants trading partners to improve the standard of seafood exports as described in a EU document or face a ban," says one senior harbour official.

Previous efforts to reform the industry have been undermined by political interests. But Mr Khan is convinced that intense international pressure, especially the threat of EU sanctions, means the government is beginning to take the issue more seriously.

He points to a small network of roads that were rebuilt recently, while owners of processing factories were ordered to improve standards of hygiene among workers, as part of a campaign to improve the infrastructure. However, it was a late start for a country whose seafood exports have remained static during the past five years.

Mr Khan laments the outdated practices still in force. "This industry has neither been given importance by past governments nor fish processors," he said. "We are still producing our most valued seafood in the same packing that we were using 40 years back."

Last week, officials worked tirelessly to clean up the fish harbour in preparation for today's inspection. The authorities announced that anyone who spat chewed betel leaf, known as "paan", around the harbour would be given a six-month jail sentence. Street hawkers and beggars were told to leave the harbour, and owners of fish processing factories to clean up their premises.

However, Iftikhar Zaidi, managing director of People's Fishery, a processing and export company, says the clean-up may be temporary. He claims local politicians have assured street hawkers that they would be back in business later this month.

Both Mr Khan and Mr Zaidi want the government to consider removing import duties on equipment used in processing value-added exports.

"We need to improve exports of value-addeds, especially the kind that are not being processed here at the moment," Mr Khan says. He adds that Pakistan's Arabian Sea coast-line, next to the Gulf, offers enormous potential but "we have to find the right ways to tap into that".

However, many long-term problems, including high levels of illiteracy, remain an obstacle.

Abdul Rehman, a boat engineer and a social activist, says the main problem is lack of education among the fishermen.

"Unless they are educated about sanitation or taught ways of eradicating environmental pollution, neither the government nor anybody else can improve conditions."

Farhan Bokhari

Panos Pictures

Ready for inspection: officials have worked to clean up the fish harbour in preparation for today's visit by EU officials

COMMODITIES NEWS DIGEST

Gold organisation revenues to fall

Low gold prices are hitting the income of the World Gold Council, the only organisation that promotes internationally the use of gold. Its revenues are expected to drop substantially next year.

The council is financed by some gold producers and the board has decided to reduce the standard fee for 1998 by 30 per cent, from US$2.50 for every ounce produced by the member company, to $1.75.

Chick Hood, the council's chief executive, said, however, that the council had built up a financial reserve so, although the 1998 promotional budget would be cut, it would not necessarily be reduced to the same extent as income.

The top four gold producers, Anglo American of South Africa, Newmont of the US, Barrick of Canada, and Placer Dome, another Canadian group, are all members of the council. Newmont recently cut its dividend from 12 cents a share to 3 cents a share and said it would reduce discretionary spending. The reduction in council fees will save Newmont about $3m next year.

The council's annual report shows members' fees brought in $63.4m last year, down from $64.1m in 1995. Voluntary contributions also fell, from $3.1m to $1.86m. Reserves stood at $28.8m at the end of 1996, up from $24.2m.

Mr Hood said there would be no change in the $1 an ounce fees for companies joining the council. No companies had withdrawn from membership and there was already a provision for those in distress because no member paid more than 5 per cent of its membership fee.

Most of the World Gold Council's expenditure – $35m out of $42.45m spent on market development last year – goes towards promoting gold jewellery sales, often with the co-operation of retail groups. Retailers contributed about $168m towards joint promotions last year. The council also lobbies countries to liberalise gold trade, as well as collecting gold demand statistics.

Kenneth Gooding, London

■ COFFEE TRADING

Taloca opens Vietnam office

The Swiss trading and procurement arm of the Kraft Jacobs Suchard/Kraft Foods group, Taloca, has opened an office in Ho Chi Minh City as part of plans to expand coffee purchasing and quality control activities in Vietnam. The move came as the Vietnam News Agency reported that the communist-run country had taken the lead in south-east Asia in robusta coffee output, with November's yield reaching 360,000-380,000 tonnes, about 50,000 tonnes more than the last crop.

Taloca has been buying coffee from Vietnam since 1994. "Coffee of Vietnam origin now represents a major share of our robusta coffees, which are featured in many of our roast, ground and instant coffees," said Fernando Serpa, the company's Vietnam representative.

Hanoi produced negligible amounts of coffee a decade ago but is currently among the world's top six exporters. However, significant problems remain with outdated drying and processing methods, which could jeopardise Vietnam's medium-term position, commodity analysts say.

Jeremy Grant, Hanoi

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1566-9	1591-2
Previous	1583-84	1604-05
High/low		1598/1583
AM Official	1566.5-67.5	1591-91.5
Kerb close		1586-7
Open int.	254,669	
Total daily turnover	97,935	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1445-55	1460-65
Previous	1445-50	1460-65
High/low		1460/1447
AM Official	1432-37	1445-47
Kerb close		1455-60
Open int.	6,041	
Total daily turnover	1,176	

■ LEAD ($ per tonne)

Close	523-4	540-1
Previous	532-33	549-49
High/low		555/532
AM Official	527-27.5	544-45
Kerb close		534-5
Open int.	31,662	
Total daily turnover	8,125	

■ NICKEL ($ per tonne)

Close	6075-85	6170-75
Previous	6090-100	6180-85
High/low		6180/6130
AM Official	6050-55	6145-50
Kerb close		6155-60
Open int.	58,776	
Total daily turnover	20,786	

■ TIN ($ per tonne)

Close	5780-90	5670-80
Previous	5810-30	5725-45
High/low	5785/5740	5725/5655
AM Official	5750-55	5670-75
Kerb close		5670-75
Open int.	14,972	
Total daily turnover	4,145	

■ ZINC, special high grade ($ per tonne)

Close	1105.5-6.5	1131-2
Previous	1140-41	1163-64
High/low		1163/1125
AM Official	1114-15	1139.5-40.5
Kerb close		1131-2
Open int.	85,828	
Total daily turnover	23,052	

■ COPPER, grade A ($ per tonne)

Close	1814-5	1842-3
Previous	1853-54	1879-80
High/low	1828.5	1878/1831
AM Official	1828-28.5	1857-57.5
Kerb close		1831-2
Open int.	158,341	
Total daily turnover	65,586	

■ LME AM Official £/$ rate: 1.6805
LME Closing £/$ rate: 1.6840

Spot: 1.6825 3 mths: 1.6754 6 mths: 1.6687 9 mths: 1.6596

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	81.45	-2.50	83.30	81.40	4,677	7,365
Jan	82.15	-2.65	83.60	82.00	371	2,365
Feb	82.90	-2.75	83.40	83.05	73	1,685
Mar	83.35	-2.70	86.00	83.05	6,287	30,679
Apr	83.85	-2.60	84.50	84.25	34	1,457
May	84.05	-2.65	86.00	84.00	100	4,596
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	293.50-294.00		
Opening	295.50-295.90		
Morning fix	293.35	174.644	420.312
Afternoon fix	294.35	174.896	421.509
Day's High	295.50-295.90		
Day's Low	292.80-293.25		
Previous close	296.60-297.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.84 6 months 3.96
2 months ....3.84 12 months 3.99
3 months 3.86

Silver Fix	p/troy oz.	US cts equiv.
Spot	311.35	523.50
3 months	314.60	526.75
6 months	317.35	529.05
1 year	323.05	534.10

Gold Coins	$ price	£ equiv.
Krugerrand	297.5-299.5	176-177
Maple Leaf	-	
New Sovereign	70-73	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	294.3	-2.6	297.7	293.6	7,634	7,124
Jan	294.5	-2.7	-	-	-	6
Feb	295.7	-2.9	298.1	294.8	30,171	104.0k
Apr	297.5	-3.0	301.0	296.8	1,490	11,406
Jun	299.5	-3.0	300.7	298.5	1,040	12,213
Aug	301.5	-3.0	302.9	301.9	11	4,905
Total					41,986	194,422

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	384.5	+1.2	388.0	381.8	1,151	10,559
Apr	381.0	+1.1	381.1	377.0	82	2,287
Jul	378.0	+1.1	378.0	378.0	10	104
Total					1,247	12,950

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	208.50	+1.00	209.50	205.50	406	775
Mar	206.00	-1.50	208.50	204.25	440	3,490
Jun	202.50	-1.50	204.50	204.50	1	118
Sep	199.50	-1.50	-	-	2	2
Total					846	4,387

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	527.3	+5.2	528.0	515.0	3,850	3,181
Jan	529.9	+5.0	522.0	518.0	1	35
Mar	534.5	+4.7	535.0	520.5	16,982	64,949
May	537.7	+4.7	537.5	526.5	586	5,622
Jul	540.0	+4.7	533.0	527.0	69	5,201
Sep	542.0	+4.7	537.0	537.0	15	780
Total					21,860	90,128

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.62	-0.53	19.07	18.50	61,448	109.8k
Feb	18.88	-0.47	19.38	18.69	28,612	56,561
Mar	19.07	-0.40	19.31	18.90	12,103	31,552
Apr	19.20	-0.35	19.37	19.14	5,267	19,000
May	19.31	-0.28	19.45	19.25	2,630	19,203
Jun	19.37	-0.22	19.49	19.30	2,850	29,703
Total					127,794	406,392

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.09	-0.85	18.45	17.95	24,299	58,470
Feb	18.11	-0.80	18.45	18.05	12,469	58,758
Mar	18.12	-0.73	18.40	18.09	5,672	15,982
Apr	18.10	-0.69	18.29	18.08	3,985	8,462
May	18.10	-0.63	18.29	18.10	1,207	7,393
Jun	18.13	-0.55	18.28	18.10	2,845	12,929
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	52.65	-1.64	54.40	52.50	32,064	53,538
Feb	53.35	-1.54	54.96	53.20	10,428	21,637
Mar	53.60	-1.11	54.55	53.45	7,159	13,602
Apr	53.10	-0.71	53.50	52.80	3,603	7,131
May	52.50	-0.36	52.75	52.40	1,960	6,092
Jun	52.30	-0.26	52.45	52.20	1,951	5,045
Total					84,034	127,505

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	164.00	-7.75	169.75	162.00	12,769	16,540
Jan	165.00	-6.75	169.25	163.50	9,543	20,885
Feb	165.50	-6.25	169.00	164.00	4,465	15,540
Mar	165.25	-5.50	168.00	164.00	1,967	9,660
Apr	164.50	-4.75	166.25	164.00	1,170	4,580
May	164.00	-4.25	165.50	163.50	523	2,569
Total					32,936	93,182

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Jan	18.250	+0.080	18.280	18.200	110	2,775
Feb	18.600	+0.050	18.600	18.600	25	3,015
Total					330	12,245

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.770	+0.192	2.810	2.620	20,140	51,170
Feb	2.650	+0.163	2.650	2.520	7,662	26,015
Mar	2.450	+0.113	2.475	2.380	6,734	20,213
Apr	2.270	+0.080	2.275	2.225	1,761	11,680
May	2.230	+0.045	2.230	2.195	596	8,988
Jun	2.225	+0.045	2.225	2.190	592	8,270
Total					40,036	208,576

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	56.10	-1.01	56.70	55.75	20,029	34,481
Feb	56.30	-1.06	56.80	56.05	6,293	14,733
Mar	57.00	-0.83	57.25	56.60	3,836	9,641
Apr	59.80	-0.83	60.10	59.55	1,703	7,832
May	59.70	-0.53	59.70	59.60	1,575	7,028
Jun	59.20	-0.48	59.20	60.70	765	4,948
Total					45,904	88,695

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	80.45	-0.85	81.00	80.70	122	1,686
Mar	82.60	-0.75	83.00	82.60	234	3,024
May	84.65	-0.60	85.00	84.60	177	2,815
Jul	86.65	-0.65	86.75	86.65	55	303
Sep	82.50	-0.80	82.50	82.50	20	-
Total					774	8,118

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	344.25	+2.5	348.00	341.00	6,101	7,036
Mar	360.25	+2.5	364.00	357.50	10,441	52,972
May	368.25	+2.75	371.75	366.50	751	10,109
Jul	372.75	+2.5	375.75	370.50	595	16,743
Sep	377.00	+1.5	377.00	377.00	43	396
Dec	386.50	+2	390.00	386.00	148	3,430
Total					18,037	90,710

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	272.75	+1.25	275.00	271.25	15,368	46,465
Mar	282.50	+1.75	284.75	280.00	25,256	175,810
May	289.00	+1.5	290.75	286.75	1,717	41,410
Jul	293.00	+2	294.75	290.50	3,757	52,150
Sep	288.00	+2	289.00	287.00	131	5,180
Dec	288.00	+1.75	289.00	286.00	2,206	31,182
Total					48,460	353,858

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Jan	75.45	-0.80	75.45	75.45	5	481
Mar	78.00	-0.75	78.00	78.00	5	1,340
May	79.50	-0.75	-	-	-	20
Sep	80.25	-1.00	-	-	-	6
Total					10	1,987

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	719.50	+1.25	723.50	715.00	20,001	68,334
Mar	722.50	+1.5	726.50	718.50	3,414	27,671
May	725.75	+1	729.50	722.50	1,682	21,060
Jul	728.25	+1.75	731.00	723.50	1,349	22,212
Aug	720.25	-0.25	725.00	720.00	38	1,714
Sep	699.00	-1	705.00	705.00	2	55
Total					27,005	146,421

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	25.45	-0.02	25.60	25.28	7,268	7,230
Jan	25.70	-0.09	25.80	25.51	9,179	49,422
Mar	25.96	-0.14	26.07	25.82	5,022	33,428
May	26.05	-0.17	26.10	25.88	626	12,861
Jul	26.09	-0.08	26.20	25.95	589	11,514
Aug	25.97	-0.05	26.10	25.85	712	1,659
Total					23,338	118,245

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	236.5	-0.3	238.0	234.7	8,810	15,760
Jan	227.9	-0.5	229.9	226.0	6,496	31,649
Mar	222.1	+0.1	224.2	220.7	5,475	35,322
May	217.8	-	219.9	216.5	1,163	20,175
Jul	217.7	+0.2	220.0	216.0	742	13,613
Aug	217.0	-0.5	218.3	216.0	35	3,232
Total					22,838	128,342

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	95.0	-1.6	-	-	-	-
Apr	119.0	-0.1	125.0	115.0	179	1,097
May	129.1	-6.0	-	-	-	22
Jun	139.1	-6.0	-	-	-	-
Nov	80.6	-	-	-	-	-
Total					191	1,137

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Dec	1225	-20	1245	1245	2	294
Jan	1240	-45	1240	1240	12	696
Feb	1255	-	-	-	-	-
Apr	1340	-8	1340	1340	5	408
Jul	1100	-10	-	-	-	124
Total					19	1,575

	Close	Prev
BFI	1176	1175

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	508.00	-13.00	515.00	505.00	103	233
Mar	529.00	-14.25	537.00	529.00	118	344
Total					238	749

FUTURES DATA
All futures data supplied by CMS.

Tea from The Tea Brokers' Association
Landed: There was good demand for landed teas. Assams sold well at firm to dearer levels, especially plainer descriptions. Brighter Burundis met strong competition at dearer rates, while coloury Kenyas were fully firmer. **Offshore:** There was fairly good enquiry at around the last levels. Quotations for this sale: Landed: best available 170p; good 166p; good medium 158p; medium 147p; low medium NQ. The highest price realised this week was 170p for a Burundi PD.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	986	-2	990	982	587	11,840
Mar	1015	-7	1022	1012	3,240	70,207
May	1034	-8	1037	1033	28	24,799
Jul	1052	-8	1055	1050	471	11,292
Sep	1070	-6	1073	1067	686	19,019
Dec	1087	-5	1089	1086	283	23,244
Total					5,734	189,424

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1529	-23	1548	1530	220	391
Mar	1559	-23	1572	1559	2,792	48,198
May	1587	-25	1599	1586	325	18,555
Jul	1607	-25	1621	1610	116	4,659
Sep	1625	-25	1636	1629	12	5,736
Dec	1645	-25	1655	1650	58	9,104
Total					3,538	97,949

■ COCOA (ICCO) (SDR's/tonne)

Nov 28	Price	Prev. day
Daily	n/c	n/c

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jan	1738	+66	1742	1678	5,854	16,478
Mar	1728	+71	1730	1670	6,711	13,808
May	1715	+63	1715	1678	1,264	4,475
Sep	1710	+55	1696	1690	104	420
Nov	1715	+55	-	-	-	30
Total					14,202	38,311

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	169.20	+8.20	169.50	163.00	279	1,247
Mar	162.70	+7.65	163.60	156.15	5,721	12,611
May	156.45	+7.20	157.00	151.00	659	4,521
Jul	150.25	+5.95	150.25	145.75	62	2,398
Sep	144.50	+4.75	145.00	143.00	23	1,163
Dec	140.00	+5.00	140.00	135.00	42	897
Total					6,816	22,981

■ COFFEE (ICO) (US cents/pound)

Nov 28		Prev. day
Comp. daily	n/c	n/c
15 day average	n/c	n/c

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	312.7	+1.4	312.8	311.0	1,709	22,163
May	317.9	+1.4	318.0	316.0	596	4,905
Aug	319.9	+0.3	319.9	319.0	836	3,993
Oct	315.2	+0.3	315.0	314.9	102	3,414
Dec	314.0	-0.3	319.0	316.0	-	142
Total					3,246	34,792

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.49	+0.25	12.55	12.27	8,400	103.9k
May	12.41	+0.23	12.45	12.25	1,643	30,788
Jul	12.10	+0.20	12.11	11.95	1,291	25,173
Oct	11.90	+0.17	11.90	11.77	1,203	23,216
Mar	11.69	+0.13	11.70	11.59	70	6,076
May	11.64	+0.12	11.64	11.64	42	915
Total					12,631	190,732

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	69.45	-0.93	70.38	69.20	858	783
Mar	70.13	-0.60	70.68	70.05	6,961	42,341
May	71.46	-0.55	71.95	71.35	1,101	13,178
Jul	72.50	-0.53	73.00	72.50	1,380	13,690
Oct	73.83	-0.44	74.25	73.80	167	973
Dec	74.01	-0.50	74.40	74.00	310	10,391
Total					10,583	91,690

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	82.35	+2.55	83.00	79.60	1,438	22,498
Mar	85.50	+2.45	86.10	82.75	732	14,315
May	88.50	+2.35	89.10	85.90	67	3,595
Jul	91.40	+2.40	91.65	00.00	3	1,859
Sep	94.15	+2.50	94.15	92.25	1	938
Nov	85.15	+2.50	94.60	93.25	-	1,068
Total					2,242	44,395

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 1	Nov 28	month ago	year ago
1795.5	1802.7	1821.7	1865.5

■ CRB Futures (Base: 1967 = 100)

Nov 26	Nov 25	month ago	year ago
235.55	235.55	-	-

■ GSCI Spot (Base: 1970 = 100)

Nov 28	Nov 25	month ago	year ago
188.68	188.82	204.69	218.98

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-3,700	to	668,400
Aluminium alloy	+220	to	43,440
Copper	-675	to	338,725
Lead	-75	to	116,750
Nickel	-372	to	68,654
Zinc	-825	to	494,700
Tin	+95	to	8,110

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	66.825	-0.375	67.100	66.600	1,146	22,067
Feb	67.850	-0.975	68.475	67.600	1,639	44,221
Apr	71.450	-0.800	72.150	71.225	790	19,131
Jun	69.825	-0.525	70.250	69.725	130	12,841
Aug	70.250	-0.475	70.650	70.200	66	4,793
Oct	72.250	-0.250	72.550	72.250	13	1,287
Total					3,780	104,329

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Dec	62.500	+0.375	62.825	61.700	1,591	9,965
Feb	60.225	-0.250	60.375	59.800	1,734	17,167
Apr	57.175	-0.550	57.550	57.125	335	8,807
Jun	65.550	-0.075	65.675	65.425	171	3,962
Jul	64.400	+0.100	64.400	64.200	86	1,290
Aug	62.050	-0.150	62.175	61.900	16	215
Total					3,954	39,678

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	56.775	-0.250	57.400	56.350	584	6,968
Mar	55.700	-0.150	56.450	55.550	70	1,147
May	55.650	-0.400	56.600	55.600	21	555
Jul	56.300	+0.100	56.300	55.700	62	389
Aug	53.275	-	-	-	7	54
Total					744	9,195

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

	Dec	Mar	Dec	Mar
1500	89	112	5	21
1600	24	53	39	60
1700	3	20	117	125

■ COPPER (Grade A) LME

	Dec	Mar	Dec	Mar
1750	93	131	20	40
1850	38	78	64	83
1950	11	40	136	144

■ COFFEE LIFFE

	Jan	Mar	Jan	Mar
n/a				
n/a				
n/a				

■ COCOA LIFFE

	Mar	May	Mar	May
n/a				
n/a				
n/a				

■ BRENT CRUDE IPE

	Jan	Feb	Jan	Feb
1850	18	50	67	-
1900	16	33	-	82
1950	-	18	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

Dubai	$17.22-7.27w	-0.705
Brent Blend (dated)	$18.02-8.03	-0.805
Brent Blend (Jan)	$18.15-8.18	-0.845
W.T.I.	$18.62-8.70w	-0.415

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$186-189	-2.5
Gas Oil	$169-172	-7
Heavy Fuel Oil	$95-96	
Naphtha	$181-182	-4
Jet fuel	$189-190	-7
Diesel	$178-181	-6.5

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	18.20-18.30	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$293.75	-3.10
Silver (per troy oz)♣	521.00c	-7.00
Platinum (per troy oz.)	$383.50	-0.50
Palladium (per troy oz.)	$205.00	+0.50
Copper	89.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.57r	
Tin (New York)	271.5	
Cattle (live weight)	87.47p	-4.29*
Sheep (live weight)	95.06p	-3.97*
Pigs (live weight)	82.48p	-1.88*
Lon. day sugar (raw)	$292.80	+0.50
Lon. day sugar (wte)	$302.00	-0.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	54.50p	
Rubber (Jan)♥	54.50p	
Rubber (KL RSS No1)	277.0z	-1.5
Coconut Oil (Phil)§	600.0y	-5.0
Palm Oil (Malay.)§	530.0w	
Copra (Phil)§	402.5	
Soyabeans (US)	188.0	-5.0
Cotton Outlook 'A' index	76.90c	
Wooltops (64s Super)	390p	-3

*£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Dec. z Jan/Feb. w Nov/Dec. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. [illegible]*

JOTTER PAD

CROSSWORD

No.9,547 Set by HIGHLANDER

ACROSS

1 Having it in (4,2)
4 Firearm salesman meets consumer (8)
10 Fifty is a little flexible (7)
11 Very bad record the French lost (7)
12 Study in Scarlet, A (4)
13 Eric proved original is not worth it (10)
15 Clever road diversion in front of it (6)
16 Ominously close, swirling about in gloom (7)
20 Cost stated in old currency (7)
21 Not fat to shed? (4-2)
24 Showing up to perform topless dance (10)
26 A story from my youth not involving a second person (4)
28 Spoil pint-sized (they say) drink (7)
29 Behind tree there's scope for a storage area (7)
30 Fish firm cut back first (6)
31 Sculpture say, suitable for viewing by anyone inside (6)

DOWN

1 Knowledgeable source for water study (4,4)
2 Sounds like examiner is cheating lady leaving something (9)
3 Metal press (4)
5 Snail races off having got behind (6)
6 It improves audio reception from organ and brass instrument (3,7)
7 Shot in the arm – moves into Casualty originally (5)
8 Man's hair does eventually decline in value (6)
9 Laboriously lift roll (5)
14 It bears fruit, showy but sour (10)
17 Child-minder takes turn at being farm animal (5,4)
18 Odd replies about a fruit tree (8)
19 Good French home takes one in to show friendliness (8)
22 Hostilities over motorway have increased: get ready (4,2)
23 South Island – bring diving gear (5)
25 Danger for every one left (5)
27 Leave former partner over it (4)

Solution to Saturday's prize puzzle on December 13.
Solution to yesterday's prize puzzle on December 15.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Yamaichi Capital Mngt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd (u)
80 Harcourt Street, Dublin 2

Lazard Investment Funds Ltd

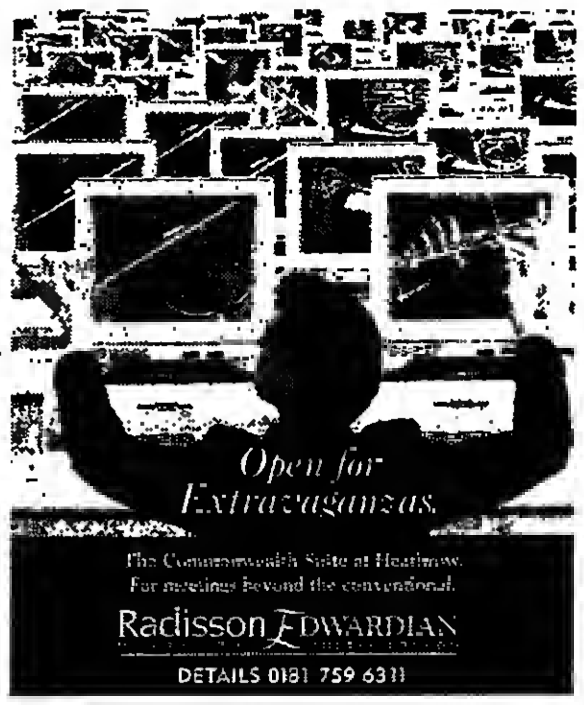
Morgan Grenfell Investment Funds Ltd (u)

Pacific International Fund Plc
93 Fitzwilliam Square, Dublin 2

CornStates Fund Management (Ireland) Ltd

Daiwa Europe Fund Mgrs Ireland Ltd

Dragon Korea Fund Plc



Scottish Value Management (Ireland) Ltd (u)
St Stephen's Green, Dublin 2

Singer & Friedlander Inv Funds Ltd (u)
21 New Street, Bishopsgate, EC2M 4HR

Dresdner Kleinwort Benson Intl Mgt Srv

Eagle Star European Life Assurance Co Ltd

Edinburgh Select Group

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Fund	Selling Price	Buying Price	+ or -	Yield Gross
Royal Life International				
Royal Court, Arbory Rd, Castletown IoM 01624 821212				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

Fund	Selling Price	Buying Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
[illegible]								

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R.		£22¼	....	£27½	£21⅝	1,781	2.9	♦
Barlow	♦	[illegible]	[illegible]	[illegible]	[illegible]	1,150	2.7	♦
Gold Flds Prop R.		119½	[illegible]	187	119½	12.2	8.6	10.1
SA Brews	†	£14	[illegible]	£23¼	£13⅝	4,281	[illegible]	-
Standard Bank		£25	[illegible]	[illegible]	[illegible]	3,080	[illegible]	-
Tiger Oats		[illegible]	-20	1160	780	1,264	[illegible]	♦
Tongaat-Hulett		731	[illegible]	788	719½	706.7	2.4	♦

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
FTSE 100 TRAINS		647200	....	647200	E470	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves (marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ¥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ∮ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment.
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
I Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as a FID (Foreign Income Dividend)
S Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield in data.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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LONDON STOCK EXCHANGE

Merrill push and Dow gains boost shares

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The FTSE 100 index, driven down dramatically in the last few minutes of trading on Friday, recouped all and substantially more of those losses yesterday.

And London moved into overdrive as Wall Street delivered another aggressively positive performance at the opening, with the Dow Jones Industrial Average posting a three-figure advance not long into the US trading session.

Merrill Lynch, the US securities house, added to the bullish feeling encompassing the London market.

In its latest strategy document, Merrill's *Philip Wolstencroft said:* "We think the UK bull market is intact. Compared with bond yields, the market appears to be offering good value. We don't think bond yields will fall from these levels. Supply of equities is minimal, takeovers are for cash and directors are avid buyers of stock. Institutional cash weightings are at six-year highs. We suspect this constellation is more likely to precede a bull market than a bear trend."

The early recovery in the Footsie was mainly because the two stocks mostly responsible for Friday's fall, Glaxo Wellcome and SmithKline Beecham, rallied strongly.

Those two stocks alone accounted for more than 15 Footsie points yesterday. The exceptional weakness last week, which is being investigated by the Stock Exchange, was variously ascribed to "basket trading" - arbitraging between the Footsie future and the underlying cash market and expiries of individually tailored options. It emerged late yesterday that two traders had been suspended because of last Friday's events.

The underlying trend in the market, meanwhile, was always on the upside, influenced by Wall Street's good performance on Friday, when the truncated trading session saw the Dow finish 28 *points higher.*

Sentiment was also bolstered by good showings from some far eastern markets, notably Hong Kong and Tokyo, both of which rose in excess of 2 per cent.

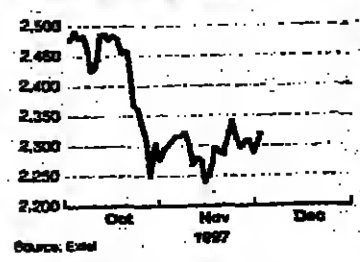
A further bull point for the market was the emergence of further takeover activity, partly responsible for helping to support UK equities during the recent bout of turbulence.

The day's domestic economic news, the purchasing managers' index, consumer credit data and M0 money supply details for November, had negligible impact on sentiment, according to dealers. Gilts were subdued in front of the week's biggest event, the *monetary policy committee* meeting, which will debate interest rate policy and announce its decision at noon on Thursday.

Lifted by the US events and the big push by Merrill Lynch, Footsie surged through the 4,900 mark, finishing 90.0 higher at 4,921.8, having hit a session high of 4,932.0. Gains were concentrated in the leaders, however, and the FTSE 250 was only able to record a 0.9 rise at 4,657.6. The SmallCap edged ahead a mere 1.0 to 2,273.1.

Turnover at 6pm was a disappointing 599m shares.

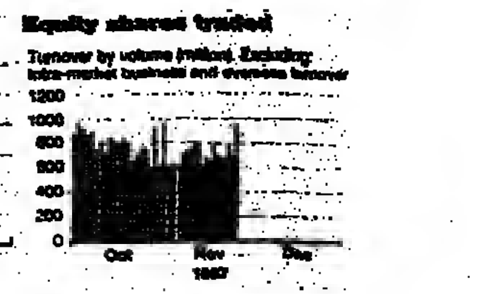
FTSE All-Share Index



Source: Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4921.8	+90.0	FT 30	3182.2	+46.6
FTSE 250	4657.6	+0.9	FTSE Non-Fins p/e	19.65	19.38
FTSE 350	2373.8	+35.0	FTSE 100 Fut Dec	4965.0	+100.0
FTSE All-Share	2320.76	+32.12	10 yr Gilt yield	6.56	6.56
FTSE All-Share yield	3.38	3.41	Long gilt/equity yld ratio	1.95	1.92

Best performing sectors

1 Pharmaceuticals ....+4.7
2 Consumer Goods ....+3.0
3 Insurance ....+2.9
4 Tobacco ....+2.4
5 Retailers: General ....+1.9

Worst performing sectors

1 Textiles & Apparel ....-0.2
2 Distributors ....-0.2
3 Oil Exploration ....-0.1
4 Building & Construction ....-0.1
5 Engineering: Vehicles ....-0.1

Glaxo and SmithKline stage rally

By Peter John, Joel Kibazo and Gary Mead

Glaxo Wellcome failed to recover completely from Friday's markdown as the shares were hit by bad news over a diabetes treatment.

Sankyo of Japan said the health ministry had ordered it to caution users of its Noscal diabetes drug. Glaxo, which sells the drug in Britain under the name Troglitazone, suspended supplies following the concerns.

Analysts said Glaxo's portion of the annual sales was worth $300m. They said the best case scenario was that the drug would be withdrawn for a couple of months and then returned to the market with additional warnings. The worst case is that Glaxo will withdraw altogether.

On Friday, the shares fell more than 90 points, minutes before the close of trading, with dealers citing a trade related to an over-the-counter option expiry.

Yesterday, they recovered 40 to £13.40. By comparison SmithKline Beecham, which was Friday's other big loser, bounced 48 - nearly 9 per cent - to 598p. Turnover in both stocks remained relatively high. Some 7.5m shares in Glaxo Wellcome changed hands, while activity in SmithKline Beecham was a hefty 9.2m shares.

Oil stocks missed out on the rally after a 10 per cent increase in OPEC's production ceiling led to a fall in crude oil prices.

BP was flat at 810p while Enterprise and Lasmo were unchanged at 584p and 263p. Shell Transport, which is less exposed to upstream exploration, gained 8½ to 411¼p.

OPEC agreed on Saturday to raise its official output ceiling to 27.5m barrels per day for the first six months of 1998, from a long-ignored ceiling of 25m bpd that stands to the end of this year.

Coming on top of concerns over falling demand in Asia, fears of a warmer winter in the northern hemisphere due to El Nino, and the United Nations deal on Iraqi oil sales, some analysts expect the sector to underperform the market in coming months.

Courtaulds hint

Courtaulds, the chemicals group which has seen its shares underperform, raised its head above water as one newspaper highlighted its takeover potential.

The former Footsie member has not only lost ground against the overall market. It has also underperformed shares in pharmaceuticals and chemicals company Zeneca responded well to the the ailing chemicals sector by 30 percentage points.

HSBC James Capel has been highlighting the company's vulnerability. But Courtaulds is only one of several chemical companies being scrutinised at the moment.

The bid by Hercules of the US for Allied Colloids has highlighted the value gap in the sector, says Martin Evans of Sutherlands.

In his weekly sector review, Mr Evans concentrates on Croda International, which recently hosted an analysts visit to its French operations. "Croda has never looked more attractive - or vulnerable to a bid," he says, arguing that the company is worth at least 625p a share. Yesterday, Courtaulds lifted 5 to 279½p while Croda eased a penny to 365p.

About 140 analysts travelled to the presentation in Macclesfield and heard Zeneca expound on 87 pharmaceutical projects, including 26 new compounds under development.

The company said it expected to double research output over the next five years, and was merging its research and development activities to speed up the process of bringing new drugs to the market.

The shares responded sluggishly in early trading but then Bear Stearns, the US broker, was said to have put the company back on its "buy" list and the stock ticked up again to close 60 higher at £19.50.

National Westminster Bank was left behind after weekend press reports said that the group's investment banking arm had run up trading losses this year of more than £300m.

The shares dipped 13 to 885p even though there is a growing conviction that Bankers Trust is going to make an offer for the securities division, while Deutsche Morgan Grenfell is tipped to take the derivatives arm.

In addition, Goldman Sachs repeated its enthusiasm for the stock and argued it was worth at least £10.40p.

There was no shortage of other big winners in a generally buoyant banking arena. The better feeling in far eastern markets helped the two stocks most sensitive to the area make strong progress.

HSBC 75p shares jumped 64 to £15.73 while the HK$10 shares added 35 at £14.78. *Standard Chartered*, meanwhile, raced up 23½ to 681p.

Abbey National attracted keen support which left the shares 34 up at 979p. Woolwich put on 8½ to 311p.

Scottish cheer

The prospect of modest profit upgrades helped lift Scottish & Newcastle, which reported figures at the top end of market expectations. The shares appreciated 19½ to 714½p.

Credit Lyonnais Laing was among those reported to have increased its forecast for the 12 months to April 1998 from £423.9m to £428m. NatWest Securities held its estimate at £423m.

One specialist on the sector commented: "These figures show the market has been proved wrong on pub retailing. Scottish & Newcastle is one of the companies that will be a winner in this sector."

Bass, which is reported to be negotiating the sale of its Gala bingo clubs for about £250m, improved 14 to 864p while Whitbread, which weekend press reports suggested is considering disposing of its brewing businesses, advanced 16 to 855p.

Shares in reprographic services group UDO Holdings jumped 22½ or 14 per cent to 182½p after it confirmed it had received a bid approach. The company said the approach may lead to an offer being made but indicated it will not be above 210p a share. At that price, an offer would value the company at £63m.

UDO Holdings did not reveal the name of its would-be suitor but speculation suggested a US office equipment manufacturer may be the bidder.

Positive weekend press comment on EMI helped the shares bounce from recent weakness. They closed 4 ahead at 450p.

Engineering group Morris Ashby was another company that announced it is in discussions which may lead to a formal offer being made. The shares jumped 45 to 390½p.

FT 30 INDEX

	Dec 1	Nov 28	Nov 27	Nov 26	Nov 25	Yr ago	*High	*Low
FT 30	3182.2	3135.6	3160.7	3163.5	3145.7	2827	3430.3	2668.8
Ord. div. yield	3.57	3.62	3.58	3.57	3.59	4.01	4.22	3.29
P/E ratio net	*20.58*	*20.29*	*20.56*	*20.57*	*20.49*	*17.15*	*22.33*	*15.8*
P/E ratio nil	20.30	20.01	20.28	20.29	20.21	17.02	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3137.4	3178.4	3170.1	3173.2	3158.6	3159.2	3156.1	3148.0	3182.4	3185.8	3137.4

	Dec 1	Nov 28	Nov 27	Nov 26	Nov 25	Yr ago
SEAQ bargains	46,525	39,824	39,740	41,143	44,299	35,610
Equity turnover (£m)†	-	NA	NA	3139.8	3504.5	971.4
Equity bargains†	-	NA	NA	35,907	38,159	22,149
Shares traded (m)†	-	NA	NA	871.7	1016.5	475.1

†Excluding intra-market and overseas turnover but including Crest turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	896	Total Highs	82	Total contracts	22,557
Total Falls	566	Total Lows	96	Calls	11,774
Same	1,580			Puts	10,783

Dec 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4935.0	4950.0	+85.0	4979.0	4875.0	10216	61415
Mar	4972.0	4996.0	+84.5	4998.0	4940.0	341	7852

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4673.0	4673.0	+15.0	4673.0	4673.0	521	9005
Mar		4748.0	+3.0			0	80

■ FTSE 100 INDEX OPTION (LIFFE) (*4925) £10 per full index point

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§45	F.P.	21.5	54½	50½	†Minorplanet Sys	54½	+½	-	-	-	-
-	F.P.	19.8	128	115½	Ntwk Recruitment	116½		L1.73	4.1	1.9	14.8
70	F.P.	24.5	63½	53	Northern Forest	54	-2½	-	-	-	-
-	F.P.	7.81	60	6	†Range Cooker Co	6¼		-	-	-	11.8
§95	F.P.	5.58	114½	104½	†Savoy Asset Mngt	113½		W4.06	2.0	4.5	14.0
§250	F.P.	16.0	255	255	Seascope Ship	255		R12.5	2.4	6.1	8.6
§180	F.P.	44.0	175½	160	Tetra	175	+1½	L0.8	8.9	0.6	28.3
-	F.P.	56.0	210½	187½	Workplace Tech	193½	+5	RW1.5	5.2	1.0	24.8

† Alternative Investment Market. § Placing price. ' Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 28	% chg on day	Nov 27	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	977.82	-0.5	982.56	1886.14	2.87	-	1887.49	977.82
■ Regional Indices								
Africa (15)	1000.89	-3.8	1039.91	2227.82	7.12	17.78	2333.56	1000.89
Australasia (6)	965.41	+1.5	951.48	2140.01	3.92	12.06	2217.50	951.48
North America (12)	983.59	+0.4	980.10	1738.09	1.31	36.57	1793.48	980.10

Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

■ FTSE Actuaries Industry Sectors

■ Hourly movements

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

CONTRACT & TENDER

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 1 / Sch)

BELGIUM/LUXEMBOURG (Dec 1 / Frs.)

CZECH REP (Dec 1 / Korună)

DENMARK (Dec 1 / Kr)

FINLAND (Dec 1 / Mka)

FRANCE (Dec 1 / Frs.)

GERMANY (Dec 1 / Dm.)

GREECE (Dec 1 / Drachma)

ITALY (Dec 1 / Lire)

NORWAY (Dec 1 / Kroner)

POLAND (Dec 1 / Zloty)

PORTUGAL (Nov 28 / Escudo)

SPAIN (Dec 1 / Pts.)

NETHERLANDS (Dec 1 / Fls.)

SWEDEN (Dec 1 / Kronor)

SWITZERLAND (Dec 1 / Frs.)

TURKEY (Dec 1 / Tk.Lira)

PACIFIC

JAPAN (Dec 1 / Yen)

HONG KONG (Dec 1 / HK$)

INDONESIA (Dec 1 / Rupiah)

MALAYSIA (Dec 1 / MYR)

NEW ZEALAND (Dec 1 / NZ $)

SINGAPORE (Dec 1 / S$)

AUSTRALIA (Dec 1 / Aust$)

SOUTH KOREA (Dec 1 / Won)

TAIWAN (Dec 1 / TW $)

THAILAND (Dec 1 / Baht)

MONTREAL (Dec 1 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Dec 1 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 1 / Can $)

4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 28 1997								THURSDAY NOVEMBER 27 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (75)	196.37	0.8	172.79	158.42	180.07	190.88	0.0	3.84	194.88	172.55	156.42	178.74	190.97	243.87	190.41	222.78
Austria (21)	181.81	-1.8	159.80	146.51	166.54	166.48	-1.8	2.02	184.88	163.69	148.39	169.57	169.50	213.59	175.14	185.52
Belgium (27)	249.06	-0.1	219.15	200.92	228.39	223.51	-0.1	3.08	249.43	220.84	200.20	228.77	223.84	261.11	221.31	225.57
Brazil (30)	221.22	-2.0	194.65	178.45	202.86	451.70	-1.9	1.85	225.84	199.96	181.27	207.14	460.60	322.44	178.88	178.93
Canada (122)	206.96	1.0	182.12	166.98	189.81	213.35	1.0	1.85	204.85	181.37	164.42	187.88	211.27	239.66	178.27	196.24
Denmark (32)	415.82	-0.8	365.88	335.46	381.32	379.73	-0.8	1.35	419.27	371.22	336.52	384.55	382.90	429.78	333.94	336.97
Finland (26)	297.34	-0.2	261.63	239.88	272.87	332.67	-0.2	1.87	298.03	263.88	239.21	273.35	333.37	349.43	232.86	234.34
France (64)	231.63	1.0	203.81	186.86	212.41	214.50	1.0	2.49	229.26	202.89	184.01	210.27	212.31	246.23	203.73	211.18
Germany (58)	219.21	-0.1	192.89	176.84	201.02	201.02	-0.1	1.44	219.40	194.26	176.10	201.23	201.23	243.87	163.08	186.18
Hong Kong, China (66)	353.12	-0.9	310.71	284.87	323.82	350.45	-0.9	4.56	356.29	315.45	285.96	326.78	353.61	580.03	314.78	504.78
Indonesia (27)	97.29	0.2	85.61	78.49	89.22	217.71	0.0	3.09	97.08	85.97	77.93	89.06	217.71	254.80	94.96	219.68
Ireland (16)	379.62	0.3	334.08	306.25	348.12	360.68	0.0	2.73	378.60	335.21	303.87	347.25	360.76	394.68	310.26	318.58
Italy (53)	109.20	0.5	96.08	88.09	100.14	140.92	0.5	1.73	108.62	96.17	87.18	99.62	140.17	115.27	79.11	81.84
Japan (482)	102.48	0.5	90.17	82.67	93.98	82.67	1.1	0.96	101.93	90.25	81.81	93.49	81.81	141.12	95.91	140.22
Malaysia (107)	177.74	0.4	156.39	143.39	162.99	238.97	0.0	3.05	177.06	156.76	142.11	162.39	239.01	880.85	170.87	805.24
Mexico (27)	1654.78	0.2	1456.04	1334.95	1517.46	14854.70	0.2	1.64	1650.70	1461.53	1324.89	1513.99	14817.34	1901.98	1147.96	1162.25
Netherlands (19)	400.21	-0.9	352.15	322.86	367.00	363.13	-0.9	2.31	403.77	357.50	324.08	370.34	366.36	440.67	313.78	323.93
New Zealand (14)	80.35	0.2	70.70	64.82	73.69	69.18	0.1	4.47	80.21	71.02	64.38	73.57	69.09	96.47	75.37	91.83
Norway (38)	323.89	0.7	285.00	261.30	297.02	315.17	0.4	1.93	321.70	284.83	258.20	295.06	314.91	374.64	277.33	280.16
Philippines (22)	83.82	0.0	73.76	67.62	76.87	145.50	0.5	1.41	83.84	74.23	67.29	76.90	144.78	214.07	78.40	195.18
Singapore (42)	249.41	0.1	219.58	200.40	227.80	182.31	-0.1	1.75	248.27	219.82	199.27	227.71	182.42	448.01	215.21	415.57
South Africa (43)	271.11	-1.3	238.55	218.71	248.62	287.78	-1.1	3.02	274.59	243.12	220.39	251.85	291.11	370.12	259.47	328.46
Spain (33)	264.58	0.1	232.81	213.45	242.63	298.91	0.2	2.26	264.18	233.90	212.04	242.30	298.38	277.33	198.59	198.59
Sweden (49)	484.48	1.2	426.30	390.84	444.28	553.76	0.9	1.97	478.74	423.69	384.25	439.10	549.04	539.94	402.43	410.53
Switzerland (32)	322.82	-0.2	284.14	260.51	296.12	285.42	0.0	1.18	323.44	286.37	259.60	296.65	285.44	329.59	231.69	244.46
Thailand (39)	24.99	-3.6	21.99	20.16	22.92	39.04	-2.6	7.20	25.93	22.95	20.81	23.78	40.10	115.54	24.99	115.50
United Kingdom (218)	320.98	-0.4	282.44	258.95	294.35	282.44	-1.0	3.48	322.24	285.31	258.64	295.55	285.31	337.99	261.60	273.36
USA (643)	389.09	0.4	342.37	313.89	356.81	389.09	0.4	1.59	387.53	343.11	311.04	355.43	387.53	389.82	288.43	307.08
Americas (822)	352.98	0.4	310.59	284.78	323.69	297.88	0.4	1.60	351.55	311.26	282.16	322.43	296.69	365.75	268.24	280.89
Europe (705)	279.42	-0.1	245.86	225.42	256.24	259.00	-0.3	2.47	279.57	247.53	224.39	256.41	259.73	298.25	227.48	233.42
Nordic (147)	419.63	0.8	369.24	338.53	384.81	418.49	0.4	1.78	417.08	369.28	334.78	382.54	416.87	464.93	345.30	350.27
Pacific Basin (874)	112.38	0.4	98.89	90.66	103.06	91.28	0.7	1.62	111.94	99.11	89.84	102.67	90.62	159.99	107.50	158.35
Euro-Pacific (1579)	182.07	0.1	160.20	146.88	166.96	154.20	0.1	2.17	181.87	161.03	145.97	166.81	154.08	208.12	173.55	189.52
North America (765)	377.46	0.4	332.13	304.51	346.14	377.23	0.4	1.60	375.84	332.77	301.66	344.71	375.62	389.57	286.81	300.50
Europe Ex. UK (490)	250.83	0.1	220.71	202.35	230.02	239.72	0.1	1.88	250.48	221.77	201.04	229.73	239.41	267.07	202.63	207.25
Pacific Ex. Japan (392)	203.31	-0.1	178.89	164.01	186.44	196.28	-0.4	3.95	203.49	180.17	163.33	186.64	197.07	320.86	194.30	315.48
World Ex. US (1801)	185.59	0.1	163.30	149.72	170.18	160.67	0.1	2.15	185.37	164.13	148.79	170.02	160.53	212.89	176.94	161.71
World Ex. UK (2229)	244.46	0.3	215.10	197.21	224.18	220.98	0.4	1.87	243.64	215.71	195.55	223.46	220.10	262.69	211.16	223.69
World Ex. Japan (1962)	325.58	0.2	286.48	262.65	298.56	317.09	0.1	1.98	324.88	287.63	260.74	297.88	316.87	344.35	284.51	274.11
The World Index (2444)	250.98	0.8	220.84	202.47	230.15	226.64	0.2	1.86	250.32	221.93	200.91	229.59	226.07	268.47	218.61	227.95

CONSTITUENT CHANGES 1/12/97: Name change: Westinghouse Electric to CBS Corp. (USA). Group change: CBS Corp.- Electrical Equipment (541) to Broadcasting Media (474) (USA). CONSTITUENT CHANGE WITH EFFECT 8/12/97: Addition: Erste Bank (Medium-Small Cap) (Share weighting: 25.98%) (Austria).

Emerging markets: IFC Investable indices

Dollar terms

Latest indices were unavailable for this edition.

♣ FT Free Annual Reports Service

4 pm close December 1

NEW YORK STOCK EXCHANGE PRICES

- A -
- B -
- C -
- D -
- E -
- F -
- G -
- H -
- I -
- J -
- K -
- L -
- M -
- N -
- O -
- P - Q -
- R -
- S -
- T -
- U -
- V -
- W -
- X - Y - Z -

Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s-split. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 28	Nov 27	Nov 26	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7823.13	(c)	7794.78	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (2/7/32)
Home Bonds	104.59	(c)	104.49	104.78 (20/11)	101.09 (14/4)	104.78 (20/11/97)	54.99 (1/10/81)
Transport	3198.96	(c)	3183.34	3369.27 (15/10)	2222.07 (2/1)	3369.27 (15/10/97)	13.23 (8/7/32)
Utilities	258.64	(c)	258.56	258.64 (28/11)	209.47 (25/4)	258.64 (28/11/97)	16.53 (8/7/32)

DJ Ind. Day's high 7872.86 (7883.50) Low 7786.08 (7749.77) (Theoretical)
Day's high 7853.22 (7848.50) Low 7794.78 (7784.53) (Actual)

Standard and Poors	Nov 28	Nov 27	Nov 26	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	955.40	(c)	951.64	983.12 (7/10)	737.01 (2/1)	983.12 (7/10/97)	4.40 (1/6/32)
Industrials	1114.02	(c)	1109.92	1148.82 (7/10)	865.42 (11/4)	1148.82 (7/10/97)	3.52 (30/6/32)
Financial	113.30	(c)	112.75	118.04 (7/10)	80.75 (2/1)	118.04 (7/10/97)	7.13 (4/9/74)
Others							
NYSE Comp.	499.10	(c)	497.31	514.21 (7/10)	389.47 (11/4)	514.21 (7/10/97)	4.64 (25/4/42)
Amex Comp	662.11	(c)	662.49	721.80 (7/10)	541.20 (28/4)	721.80 (7/10/97)	524.28 (15/7/96)
NASDAQ Cmp	1600.55	(c)	1594.50	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	429.92	(c)	426.18	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Nov 21	Nov 14	Nov 7	Year ago
Dow Jones Ind. Div. Yield	1.73	1.78	1.78	2.02
	Nov 19	Nov 12	Nov 5	Year ago
S & P Ind. Div. yield	1.50	1.66	1.60	1.81
S & P Ind. P/E ratio	25.38	24.36	25.28	23.30

US DATA

■ MARKET ACTIVITY

● Volume (million)	Nov 28	Nov 26	Nov 25
NYSE	189.080	487.750	587.890
Amex	10.297	26.192	28.260
NASDAQ	213.852	524.323	649.579

NYSE	Nov 28	Nov 26	Nov 25
Issues Traded	3,259	3,414	3,422
Rises	1,672	1,673	1,920
Falls	1,035	1,187	1,373
Unchanged	552	554	529
New Highs	125	132	139
New Lows	48	96	77

■ NYSE TRADING ACTIVITY Volume : 189,080,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq Cmp	4,331,200	62⅛	+½
GTE Corp	2,038,600	50⅞	+⅝
Ph Morris	1,785,300	43½	-⅛
AT & T	1,718,800	55¾	-¼
Travelers	1,581,100	50½	+1⅛
Gen Elect	1,448,900	73¼	+⅜
Boeing	1,405,500	53¾	+1¼
IBM	1,240,500	109⅛	-¼
Caterpillar	1,227,300	18½	+¾
Be Dee Cp	1,214,400	51¾	+⅛

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Dep Guaranty	46¼	+7⅛	+18
Inco	18⅛	+1⅝	+9.7
Cardinal Cp	54⅛	+3	+5.9
BancSouth	38¼	+1⅞	+5.4
Downs			
Nine West	27⅛	-2⅛	-7.1
Suncor Engy	32⅞	-2⅛	-6.2
ASA	20¾	-1⅜	-6.2
Shopko Sto	21	-1⅛	-5.1

■ NASDAQ TRADING ACTIVITY Volume :213,852,000

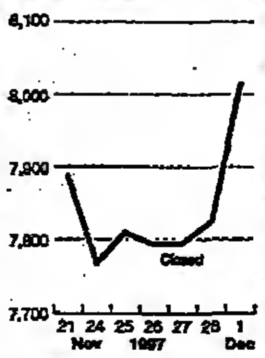
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Appl Matl	4,578,100	33	+⅝
3Com	3,976,000	38¾	+1¼
Intel	3,484,800	77¼	+1
Dell Comp	2,919,700	84⅛	+⅛
ACC	2,332,100	48¾	+2½
Oracle	2,299,900	33⅛	+⅛
Microsoft	2,173,500	141½	-⅛
Cisco Sys	2,037,200	88¼	+1⅛
WorldCom	2,003,700	32	+¼
MCI Comm	1,986,600	43⅝	+⅛

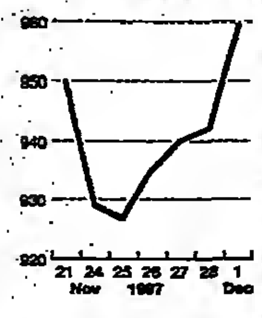
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
ICTS Hol	9¼	+2¼	+30
Entrust	15¾	+3⅜	+28.4
Comcast Cp	22¾	+3½	+18.2
UOL Publsh	10	+2¼	+18.4
Downs			
Quanta	10¾	-1⅞	-15.6
MMC Netwk	17⅜	-2⅛	-11.4
Nth Am Svg	49⅞	-5⅞	-10.2
People Bc	22	-2½	-10.2

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 1	Nov 28	Nov 27	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	17007.59	16636.28	16603.20	20681.07	15082.52	38915.9	85.25

■ TOKYO TRADING ACTIVITY Volume : 553,000,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Yamaichi Sec	58,869,000	2	
Daiwa Secs	17,714,000	485	+40
Sakura Bank	13,102,000	469	-23
LTCB	13,085,000	264	+49
Np Cred Bnk	12,302,000	123	+10
Fuji Bank	11,987,000	750	+65
Mitsui T & B	10,891,000	290	+65
Daiwa Bank	9,915,000	310	+80
Hokk Tk Bnk	8,887,000	1	-1
Yasuda T & B	7,587,000	159	+50

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Yasuda T & B	159	+50	+45.9
Fukusuke	301	+85	+39.2
Daiwa Bank	310	+80	+34.8
Chuo T & B	325	+80	+32.7
Downs			
Ishikawa Seis	120	-19	-13.7
First Baking	139	-20	-13.4
Gakken	230	-32	-12.2
Kosai Tekko	290	-40	-12.1

FRANCE

	Dec 1	Nov 28	Nov 27	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2918.48	2859.19	2829.01	3094.01	2258.97	3094.01	984.61

■ PARIS TRADING ACTIVITY Volume : 406,087,090

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Fr Telecom	1,851,795	217.7	+0.9
Usinor	1,745,706	95	+2.2
Paribas	1,449,938	439	+12.5
Axa–UAP	1,020,925	433.5	+5.1
Elf Aquit	847,063	663	+2
Total B	674,231	622	+2
Rhn–Pinc A	629,664	267.9	+2.5
BNP	541,390	291	+3
Cetelem	490,235	774	+18
Michelin B	470,473	331.5	+13.5

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Promodes	20	+3.4	+20.5
Taittinger	3318	+298	+9.9
Cycleurope	28	+2.4	+9.4
Bongrain	380	+30	+8.0
Downs			
Mx Lir Prof	34	-3.9	-10.3
Berry	95	-10	-9.5
Rch–Bosch	34.5	-3.5	-9.2
Mag Gn Paris	1135	-103	-8.5

GERMANY

	Dec 1	Nov 28	Nov 27	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4058.05	3949.14	3953.84	4438.93	2848.77	4438.93	531.18

■ FRANKFURT TRADING ACTIVITY Volume : 17,733,341

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Dt Telekom	843,849	38.6	+0.85
Lufthansa Rg	805,853	35.1	+1.6
BASF	727,758	84.8	+2.4
Siemens	637,864	109.8	+3.25
Deutsche Bank	578,528	114.9	+1.8
Bayer	482,281	88.4	+1.13
Commerzbank	471,863	62.25	+0.95
Veba	387,730	107.3	+2.5
Dresdner Bk	335,440	70.85	+2.25
Dmlr–Benz	335,280	127.7	+2.8

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Dt Werke	147.8	+21.2	+16.7
Sch Radiok	320	+40	+14.3
Karstadt	658	+46	+7.5
Much Rck Rg	589	+38	+6.9
Downs			
Tarkett	37	-2.5	-6.3
Hucke	37	-2.5	-6.3
Ahlers (A)	460	-15	-3.2
Prs Media Pf	62	-2.8	-3.1

UK

	Dec 1	Nov 28	Nov 27	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	4921.8	4831.8	4889.0	5330.80	4056.60	5330.8	986.9

■ LONDON TRADING ACTIVITY Volume : 800,000,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Shell T&T	14,124,300	417½	+8½
Resco	14,013,300	1½	
TeleWest	10,739,430	68½	-½
Norwest O&G	9,124,574	85½	-½
Centrica	9,586,160	85½	+3½
SmKl Bcm	9,079,449	588	+48
BT	8,849,917	485½	+8½
BP	7,390,107	818	
GlaxoW	7,291,485	1340	+40
BAT Inds	6,983,807	547½	+15½

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Shd. Zign	975	+175	+21.9
Radstone Tch	39	+5	+14.7
UDO	182½	+22½	+14.1
Man Ashby	390½	+45	+13.0
Downs			
Mayborn	102½	-50	-32.8
Celtic Res	12½	-3	-19.3
Calluna	20	-4	-16.7
Emstone	48½	-9	-15.8

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	955.20	960.80	+5.90	964.70	959.80	30,537	380,790
Mar	971.20	970.80	+5.50	975.20	970.80	1,683	31,002
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	16520.0	17000.0	+310.0	17170.0	16480.0	25,762	170,678
Mar	16530.0	17020.0	+330.0	17160.0	16490.0	8,027	27,735

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2893.0	2927.0	+64.0	2933.0	2888.0	16,301	44,919
Jan	2903.0	2934.0	+92.5	2918.0	2898.5	071	4,495
■ DAX							
Dec	4049.5	4130.0	+143.0	4145.0	4037.0	23,118	73,015
Mar	4083.5	4165.5	+151.0	4180.0	4080.5	2,985	8,118

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2465.0	2502.05	+57.00	2502.00	2465.00	5,783	25,812
Jan	2483.0	2501.50	+41.50	2501.50	2483.00	154	448
■ SOFFEX							
Dec	5840.0	5890.1	+98.1	5895.0	5837.0	4,320	19,478
Jan	5826.2	5899.0	+103.0	5901.0	5828.2	105	1,796

WORLD MARKETS AT A GLANCE

Country	Index	Dec 1	Nov 28	Nov 27	1997 High	1997 Low	Yield	P/E
Argentina	General	21857.87	21846.94	21891.54	28771.70 22/10	18237.37 2/1	3.41	18.2
Australia	All Ordinaries	2513.4	2485.1	2462.3	2778.20 25/9	2208.20 28/10	3.7	17.8
	All Mining	560.3	547.9	541.1	987.10 24/2	541.19 27/11		
Stocks shrugged off disappointing economic data and rallied on hopes of improving financial stability in Asia.								
Austria	Credit Aktien	432.04	424.43	430.50	474.42 2/10	374.40 9/1	2.05	14.5
	Traded Index	1262.27	1236.73	1254.56	1480.49 31/7	1130.22 9/1		
Broadly based rally led by Bank of Austria which jumped close on 5%.								
Belgium	BEL20	2454.40	2392.80	2395.09	2821.88 28/7	1871.08 2/1	2.37	15.9
UCB rose 5.4% as shares responded to the broad upturn across Europe.								
Brazil	Bovespa	9491.0	9395.0	9619.0	13617.00 8/7	6855.50 2/1	0.52	na
Canada	TSE 100♦	399.21	393.62	389.92	438.48 7/10	342.22 11/4	1.92	19.7
	Metals Mins♦	3988.99	3933.60	3813.18	5891.75 10/3	3781.95 28/11		
	Composite♦	6587.40	6512.80	6450.00	7298.90 7/10	5678.30 14/4		
	Portfolio§§	3358.39	3294.70	3261.72	3647.88 7/10	2848.82 11/4		
♦Shares followed Wall Street higher at midsession helped by takeover talk at Inco.								
Chile	IGPA Gen♥	4954.12	4942.28	4947.44	5886.71 4/7	4912.42 2/1	3.8	15.9
China	Shanghai B	54.11	54.20	55.11	88.21 7/5	54.11 1/12	1.17	73.1
	Shenzhen B	96.65	97.76	99.4	184.20 8/5	95.85 1/12		
Erdos Cashmere was the most active hard currency B share in Shanghai: it edged up 0.002 to $0.410 on 2.39m shares.								
Colombia	IBB	(u)	1399.67	1403.32	1693.72 15/10	944.41 2/1	na	na
Czech Republic	PX 50	488.5	479.3	481.2	629.00 25/2	458.50 1/12	na	na
Political uncertainty following the resignation of prime minister sent shares steeply lower.								
Denmark	CopenhagenSE	632.53	631.74	628.82	682.81 6/10	429.14 2/1	1.38	20
Novo Nordisk hit a new high after news of competitors' drugs US problems with a diabetes drug.								
Egypt	Cairo SE Gen	346.39	(c)	349.98	--	--	na	na
Finland	HEX General	3453.02	3408.01	3411.21	3880.81 22/10	2493.28 2/1	2.33	14.3
Strong gains for Nokia and the insurance sector sent overall market higher.								
France	SBF 250	1884.17	1853.75	1838.77	2003.43 31/7	1603.19 2/1	2.58	16.8
	CAC 40	2918.48	2859.19	2829.01	3094.01 3/10	2256.97 2/1		
Shares hit a six week peak after an active session for leading stocks.								
Germany	FAZ Aktien	1341.05	1306.89	1310.75	1481.44 31/7	998.21 2/1	1.5	19.3
	Commerzbank	3961.00	3849.90	3863.40	4336.78 31/7	2676.98 2/1		
	DAX‡	4058.05	3949.14	3953.84	4438.93 31/7	2848.77 2/1		
Shares climbed strongly helped a sessional rally for retail shares.								
Greece	Athens SE	1506.67	1474.02	1436.66	1794.14 8/10	954.54 2/1	3.25	14.7
OTE Telecom gained more than 6% on foreign buying.								
Hong Kong	Hang Seng	10750.88	10526.92	10583.10	16673.27 7/8	9059.89 28/10	3.64	10.5
	HSCC Red Chip	1705.16	1736.90	1783.29	4118.55 27/8	1685.78 28/10		
Financials led the market higher. But turnover was thin at HK$5.76bn as many investors remained sidelined.								

Country	Index	Dec 1	Nov 28	Nov 27	1997 High	1997 Low	Yield	P/E
Hungary	Bux	8806.67	8852.84	8594.30	9483.80 6/8	4281.30 8/1	na	na
Telecoms leader Matav hit a new high as overall market turnover surged to almost double Friday's levels.								
India	BSE Sens.	3588.65	3580.29	3628.07	4548.02 5/8	3225.34 2/1		
	Crisil 500	657.48	656.53	666.80	843.28 5/8	622.71 2/1	na	na
Indonesia	Jakarta Comp.	398.82	(c)	401.71	740.83 8/7	391.26 21/11	2.84	11.5
Concern over loan losses as rupiah slide continued and interest rates remained high.								
Ireland	ISEQ Overall	3806.26	3761.52	3757.39	3884.08 14/10	2725.07 2/1	2.34	10
Israel	Mishtanim 100	288.21	(c)	285.82	311.78 6/8	214.15 2/1	na	na
Shares gained ground in spite of poor results from two big banks which reported lower third quarter profits.								
Italy	BCI Comit 30	233.31	229.17	227.44	242.86 26/9	155.74 2/1	1.67	19.7
	Banca Com Ital	972.13	959.85	958.47	1006.89 22/10	660.42 2/1		
	Mibtel General	15612.0	15385.0	15268.0	16828.00 26/9	10488.00 2/1		
Talk of lower interest rates sent shares strongly ahead.								
Japan	Nikkei 225	17007.59	16636.28	16603.20	20681.07 16/6	15082.52 14/11	0.95	42
	Nikkei 300	253.03	248.86	246.71	303.71 20/7	228.77 14/11		
	Topix	1274.44	1252.22	1238.77	1560.28 26/6	1177.52 14/11		
	2nd Section	1285.45	1271.89	1272.57	1848.25 30/6	1271.89 28/11		
Government assurances about financial system stability sparked buying.								
Jordan	Amman SE	172.02	(c)	(c)	--	--	na	na
Malaysia	KLSE Comp.	528.45	545.44	550.24	1271.57 25/2	526.12 28/11	3.46	8.9
Sentiment soured after Kuala Lumpur stock exchange imposed trading curbs on five stockbrokers.								
Mexico	IPC	5058.91	4974.57	4957.08	5369.46 21/10	3258.46 2/1	1.25	14.2
Morocco	CASA	884.95	883.87	883.63	888.75 23/4	451.00 3/1	na	na
Marginal falls after a session of very narrow trading.								
Netherlands	CBS TRtnGen	1056.4	1037.6	1045.4	1104.80 7/8	730.80 2/1	2.2	20.1
	CBS All Shr	611.4	594.9	598.3	654.40 7/8	429.00 2/1		
Strong bounce for international and leading index strongly higher.								
New Zealand	Cap. 40	2300.78	2287.32	2287.38	2635.46 22/10	2102.81 28/10	4	18
Recovery in forestry leaders and Brierley partially offset by falls in Telecom and Lion Nathan.								
Nigeria	SE All-Share	(u)	6395.78	6410.15	--	--	na	na
Norway	Oslo SE Ind	2087.06	2058.94	2081.89	2287.56 22/10	1638.03 2/1	1.97	14.2
Pakistan	Karachi SE	1787.10	(u)	1772.24	2067.58 22/10	1341.31 7/1	na	na
Buying inspired by hopes that differences between the government and the judiciary would shortly be resolved.								
Peru	Lima Gen	1787.01	1780.54	1768.37	2288.49 10/7	1429.78 2/1	na	na
Philippines	Manila Comp	1777.04	1771.94	1761.36	3447.60 3/2	1749.19 28/10	1.4	10.9
Currency and interest rate concerns prevailed and sentiment was weak. Secondliners went broadly lower.								

Country	Index	Dec 1	Nov 28	Nov 27	1997 High	1997 Low	Yield	P/E
Poland	WIG	14411.6	14322.6	14309.0	16838.40 10/2	14223.78 25/11	1.81	10.4
Market improved across the board but volume stayed low.								
Portugal	BVL 30	(c)	3576.82	3593.79	3866.81 3/10	2166.87 2/1	1.75	25
	PSI 20	(c)	8309.21	8356.88	8803.82 3/10	6182.34 2/1		
Russia	RTS	332.91	329.49	340.03	571.66 6/10	213.38 6/1	na	na
Shares eased lower on economic and political uncertainty.								
Singapore	SES All-S'pore	441.16	440.54	441.01	573.03 17/2	380.78 28/10	2.1	14.5
	Straits Times	1694.10	1660.59	1650.97	2271.66 20/1	1487.85 28/10		
Late buying spree pushed index ahead. Foreign tranches of bank stocks were sharply higher on heavy volumes.								
Slovakia	SAX	168.49	167.22	166.14	208.84 21/3	164.91 22/7	na	na
Drugs leader Slovakofarma ran into selling and broad market lost ground.								
South Africa	JSE Gold	709.3♥	727.2	756.7	1606.10 27/2	709.30 1/12	3.1	13
	JSE Indl	7796.6♥	7711.0	7784.6	8314.20 7/8	7433.30 28/10		
Market ended off day's lows with strong industrials offsetting weak golds.								
South Korea	KoreaCmpEx**	393.16	411.91	433.18	792.29 17/6	393.16 1/12	3.03	18.8
Investors nervous ahead of IMF bailout terms: eighth consecutive fall took index to lowest level since June, 1987.								
Spain	Madrid SE	622.23	605.15	603.75	648.20 1/10	434.84 2/1	2.42	20.4
Wall Street's strong start boosted sentiment: base metal leader Asturiana soared 14%.								
Sri Lanka	CSE All Share	676.00	671.40	667.80	869.70 31/7	606.70 2/1	na	na
Watawala Plantations stole the limelight on its debut and trading was extended by an hour in order to cope with demand.								
Sweden	AffarsvardsGen	3083.3	3029.7	3001.0	3315.80 7/8	2278.80 3/1	1.82	21.4
Switzerland	SMI Index	5875.1	5775.9	5772.4	6012.80 8/7	3822.80 7/1	1.12	22.2
	SPI General	3682.21	3634.65	3634.82	3770.10 3/10	2406.22 6/1		
Active day for leading financials pushed market higher.								
Taiwan	WeightedPr.**	7400.64	7797.19	7762.15	10116.84 26/8	6844.75 6/1	1.05	25.8
Ruling Nationalist Party's shock defeat in Saturday's local elections sparked heavy selling.								
Thailand	Bangkok SET	387.56	395.47	390.43	858.97 22/1	387.56 1/12	6.03	9.5
Concern over the fate of 58 suspended finance firms - expected this week - drove index lower.								
Turkey	IMKB Nat 100	2814.00	2879.00	2904.0	3643.00 23/10	895.80 2/1	2.12	15.6
Economic worries kept investors on the sidelines as shares dipped.								
Venezuela	IBC	8705.42	8706.25	8670.34	10917.33 17/10	6081.99 12/3	na	na
Zimbabwe	ZSE Industrial	(u)	8773.61	8725.19	12081.96 5/8	8292.82 24/11	na	na
WORLD	FT/S&P World($)	(u)	250.98	250.32	288.47 7/10	216.81 14/4	na	na
	MS Capital Int$	937.1*	935.5	924.5	980.80 31/7	794.50 14/4	na	na
CROSS-BORDER	Eurotrack 100	2609.69	2566.45	2564.66	2784.80 7/8	1883.80 2/1	na	na
	FTSE E100	2225.76	2174.23	2178.46	2365.96 7/8	1582.99 2/1	na	na
	HSBC JC Drgn	(u)	255.15	256.76	434.83 6/8	230.55 28/10	na	na
	MG Emrgs Emrg	138.56	141.27	140.58	186.81 9/7	138.76 13/11	na	na

** Sat Nov 29: Taiwan Weighted Price (u); Korea Comp Ex 407.88. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ Xetra/DAX after-hours index: Dec 1 - 4125.82 +153.84. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Finance and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ♣ Yields and P/E ratios are based on Datastream Total Market indices. ♣ Midsession.

NASDAQ NATIONAL MARKET

4 pm close December 1

NASDAQ NATIONAL MARKET

AMEX PRICES

4 pm close December 1

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3		10000	8.25	2.375
Algol	ITL13350	+50	0	13850	12450
Artwork Systems	US$8		61300	11.125	7.875
Chemunex	FFr12.5	+0.5	33350	16	10
City Bird Holding	US$7.9375	+0.125	13630	8.25	6.8125
Dobrosk Holdings	GBP4.1	+0.55	264500	7.15	2.85
Dr Solomon's *	US$35		0	35.125	16.875
EDAP TMS *	US$7.125	-0.0625	0	9.125	0.5
ESAT Telecom *	US$14.2125	+0.1875	0	15.25	13.25
Espace Prod. Int.	FFr92.75		150	117	92.25
Esprit Telecom *	US$6.875	+1	23300	12.25	4.875
Gruppo Formula	ITL19700	-50	300	22000	19400
Innogenetics	US$20.875		89734	22.125	9.875
Integr. Surg. Syst.	DEM10.6	+0.5	0	12.1	10.1
Lernout & Hauspie	US$48.875	+0.5	11097	58.625	25
Memaks	US$8		400	8.125	7.1875
Mercer Int'l	US$9.75	+0.125	0	12.875	8.125
NTL	US$28	+0.25	0	28.625	20.5
Option Int'l	US$12.125	+0.375	80070	12.125	10.375
PixTech	US$2.625		0	0.125	2.625
Schoeller-Bleckmann	Sch1298		8	1692	900
Topcall Int'l	Sch4845	+50	1544	5000	3065
Turbodyne Technol.	US$3.15	-0.08	0	6.25	3.15

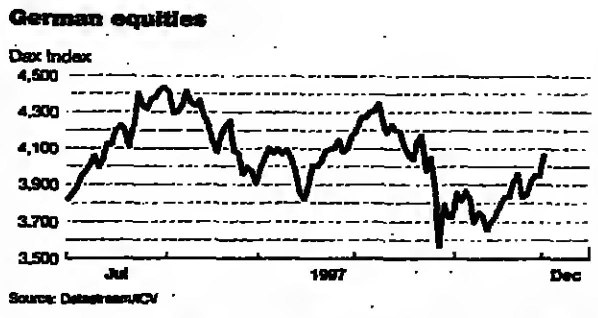
Prices for 1/12/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9890).

Dax leads return to the 'magic numbers'

WORLD OVERVIEW

The leading stock markets continued the process of recovery from their sharp falls in October as investors managed to look on the bright side of the news from Asia, *writes Philip Coggan.*

The Dax index in Frankfurt became the first of the leading indices to regain the "magic number" levels recorded earlier this year. Within the space of a few summer weeks, the Dax passed 4,000, the CAC in Paris 3,000, the Dow Jones Industrial Average in New York 8,000 and the FTSE 100 in London 5,000. The last three are now within hailing distance of those levels.



And, talking of round number barriers, the Nikkei 225 average, which was flirting with 15,000 only a fortnight ago, regained the 17,000 mark. Investors seem increasingly convinced that the Japanese authorities will find a way of stabilising their financial system.

Although there was still plenty of weakness in the smaller Asian stock markets, notably in Taiwan and Korea, where the government has been negotiating with the International Monetary Fund on a bailout package, events in Tokyo are clearly taking precedence in market psychology.

European bourses were helped by Japan and a further display of strength from the US dollar.

They also got a lift from Wall Street, where traders returned from their Thanksgiving holidays in buoyant mood, helped by a couple of pieces of data (the purchasing managers' index and construction spending) which seemed to indicate there was little need for the Federal Reserve to raise interest rates.

The exception to the European euphoria came in the Czech Republic, where the local index dropped to an all-time low in the face of the resignation of the government.

It is hard to remember, after all the turmoil in Asia, that the Czech Republic had its own devaluation earlier this year, and the stock market has never really recovered. It was down nearly 23 per cent on the year in dollar terms by end-November.

One analyst believes investors should be cautious about buying into the European rally. Richard Davidson, European strategist at Morgan Stanley, says: "We think this is a bull run in a bear market and we don't believe indices are going to reclaim their highs.

"The Asian crisis means that earnings momentum will turn and analyst downgrades will exceed upgrades over the next few months. And there is a risk that interest rates will rise to 4-4.25 per cent as the Bundesbank shifts from an expansionary to a neutral monetary policy.

"All told, over the course of the next 6-9 months, European markets could fall 15 per cent or more from current levels."

Blue chips rally as Dow roars to 7,900

AMERICAS

US stocks rallied strongly throughout the morning session, with the Dow Jones Industrial Average roaring past the 7,900-point level, *writes John Labate in New York.*

Blue-chip shares were the best gainers by early afternoon with the Dow up 134.28, a rise of 1.7 per cent, at 7,957.41. The broader Standard & Poor's 500 index had gained 14.23 or 1.49 per cent at 969.63.

Market analysts gave varied reasons for the bullish tone, including the fact that it was the first day of December, an historically strong month for stocks.

"The impact of what's going on in Asia has waned completely in our market," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut.

"People are looking at relatively low interest rates, and factoring in that many multinationals do not have extraordinary exposure in Asia but do have better exposure in other markets," he added.

Helping the Dow higher was Travelers Group which rose $2⅜ or more than 5 per cent to $53⅝ after Standard & Poor's increased its debt rating. Retailer Sears was also sharply higher, rising $1⅞ to $47⅞.

Stock traders also took in a large number of morning announcements. In the banking sector, Cleveland-based National City Corp said it planned to acquire First of America in a $6.6bn stock deal. First of America's shares soared more than 23 per cent or $13⅞ to $72⅝ while National City's shares sank by more than 7 per cent or $4⅞ at $62⅞. Shares in other banks moved higher.

Turbulent trading hit the drug sector as analysts downgraded Warner-Lambert shares on reports of trouble with the company's diabetes drug. Warner-Lambert fell $25⅞ or more than 17 per cent to $114⅞.

The technology sector rose with the Nasdaq composite index gaining 16.36 or only 1 per cent at 1,616.91. Computer makers were up strongly. Dell rose $2⅛ to $86⅞ but software group Oracle fell more than 5 per cent to $31⅞ after Goldman Sachs downgraded the stock.

TORONTO climbed more than 1 per cent at midsession as banks and forest stocks surged almost 3 per cent, helping to offset declines in gold and oil stocks. The 300 composite index rose 80.92 to 6,593.70.

Banks were on a rising trend due to growing hopes that the Bank of Canada will not raise interest rates in the near future.

Traders said that an interest rate rise had been priced into the market because of currency weakness, so shares would bounce back if it became less likely.

Gold stocks were again facing a difficult day as the gold price slipped. Placer Dome fell 10 cents to C$17 and Barrick 45 cents to C$23.

Inco rose C$1.20 to C$28.60 as dealers continued to speculate that low commodity prices made the nickel giant a takeover target.

São Paulo climbs again

SAO PAULO climbed by nearly 1 per cent in morning trading, helped by rises on Wall Street and optimism ahead of this week's congressional vote on a fiscal austerity package.

The Bovespa index gained 85 to 9,480, led by market heavyweight Telebrás, which climbed R$1.60 to R$115.50. Brokers said the market was watching Wall Street closely in the absence of any domestic news.

The government's R$20bn package of tax rises and spending cuts is expected to be passed by congress later this week after the administration agreed amendments with congressional leaders last Friday.

MEXICO CITY raced ahead in early trade as the IPC index broke through the 5,000 barrier, helped by strong gains on Wall Street. By midday, the index was up 98.01 at 5,072.58, its highest level since October 22.

BUENOS AIRES was helped by rises in neighbouring markets. At midsession, the Merval index was 8.1 higher at 663.7.

Overseas earners lift Frankfurt

EUROPE

Shares in *FRANKFURT* were in the vanguard of the European rally, rising 3.9 per cent, helped mainly by overseas earners advancing on favourable currency trends. The Xetra Dax index closed 153.84 better at 4,125.42.

Retailing stocks took some dealers by surprise when they surged to record the day's biggest advances on hopes of a strong Christmas trading period.

Karstadt was up DM46 or 7.5 per cent to DM659 while Douglas was DM2.90 better at DM66.90. Metro lagged the other leaders, gaining only DM1.90 to DM82.90.

Elsewhere, gainers were led by currency-sensitive stocks. Chemicals leaders were heavily traded as BASF rose DM2.40 to DM64.80 while Bayer was DM1.13 better at DM66.40. Daimler was also on the rise, advancing DM2.80 to DM127.70, while BMW rose DM50 to DM1,377.

Construction stocks were the day's biggest losers after Christian Roth, chairman of Bilfinger & Berger, said in an interview that the market environment was worsening and no upturn could be expected before 2000.

Bilfinger & Berger were unchanged at DM64.90. Philipp Holzmann lost DM4 to DM464, while Hochtief was 70 pfg lower at DM72.30.

Volkswagen advanced DM32 to DM1,032 on market talk that the carmaker is close to making a bid for Scania, the Swedish truckmaker.

PARIS broke back above 2,900 for the first time in nearly six weeks with improved Asian sentiment, the firmer dollar and strong start on Wall Street lifting the CAC 40 index 59.29 to 2,918.48.

Oil stocks and France Telecom stayed in the doldrums among the heavyweights, but there were strong gains among dollar earners with a big Asian presence, notably LVMH which reversed recent weakness with a rise of FFr70.00 or 6.9 per cent to FFr1,082.

Upbeat new car sales got behind the motor sector. November turned in the first year-on-year gain since December with French producers outpacing the average with a near 11 per cent gain. Renault rose FFr8.00 to FFr173.3 and Peugeot FFr29.00 to FFr696.

Retailers stayed in favour, Pinault-Printemps added FFr92.00 at FFr3,112 after chairman Serge Weinberg said asset price falls in Asia were a plus point for the group, lowering investment costs. Carrefour rose FFr94.00 to FFr3,253.

Oil price worries continued to depress oils. Elf Aquitaine came off FFr2.00 at FFr683. France Telecom hit a session low of FFr213.2 before closing 90 centimes better at FFr217.7.

PRAGUE had a dreadful day as investors dumped stock following the collapse of the government at the weekend. The PX50 index closed 20.8 or 4.3 per cent lower at 458.

AMSTERDAM advanced 28.37 to 910.09 on the AEX index with internationals making most of the running. Both Philips and ABN Amro surged more than 6 per cent.

The firmer dollar and buying from the US sent Philips up by Fl 8.30 to Fl 139.60 while ABN gained Fl 2.50 to Fl 40.40 in 6.2m shares traded. Steelmaker Hoogovens achieved the day's best performance, gaining Fl 8.30 or 7 per cent to Fl 95.90.

Nedlloyd gained Fl 1.30 to Fl 47.00 on the news that its cargo shipping alliance was being widened. Heineken added Fl 10.00 to Fl 348.50 amid positive sentiment following the appointment of a new marketing supremo for its Murphy's offshoot.

ZURICH moved higher in an active session for financials where news of a Baloise disposal to a US investment company sparked talk of further sector deals. The SMI index ended with a gain of 99.2 at 5,675.1

SBC rose SFr9.50 to SFr419 and Swiss Re gained SFr50.00 to SFr2,379.0. Baloise, which sold its 86 per cent stake in Rhine Reinsurance in order to focus more fully on core operations, added SFr90.00 at SFr2,630.

MILAN was lifted by corporate deals and a growing expectation that an interest rate cut is imminent. The Mibtel index ended 247 higher at 15,612.

Pirelli rose L261 to L4,596 after the tyres and cable-maker said it would acquire a majority stake in Sirti, the cable-laying company controlled by Telecom Italia. Sirti's shareholders were less delighted with the deal and the stock fell L34 to L10,408.

Telecom Italia, which had to dispose of the shareholding under an EU ruling, rose L117 to L10,907. Alitalia fell L89 to L1,053 after the company said it would fight an EU ruling to classify a recent L2.75 trillion injection as state aid.

MADRID ended sharply higher with the general index ending 17.08 higher at 622.23. The main beneficiary was Asturiana del Zinc, up Pta315 at Pta2,555, boosted by dollar strength. The company's shares were among the worst affected by last month's shakeout.

Written and edited by Jeffrey Brown, Jonathan Ford and Peter Hall

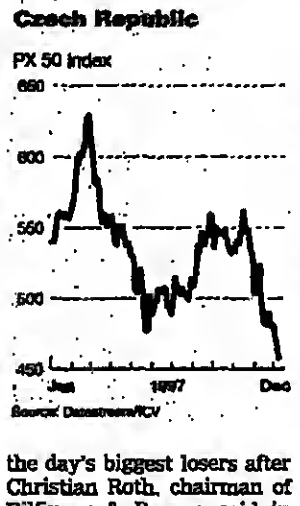
FTSE Actuaries Share Indices — European series

December 1

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	962.80	+2.15	+20.30	2.35	0.27	959.46
FTSE Eurotop 100	2225.76	+2.37	+51.53	-	-	-
FTSE Eurotop 300 Regions						
300 UK	985.51	+1.58	+15.94	3.31	0.82	981.80
300 Ex-UK	951.27	+2.49	+23.34	1.80	0.08	953.53
300 Eurobloc	950.01	+2.82	+26.02	2.00	0.12	953.34
300 Ex-Eurobloc	972.77	+1.76	+16.24	2.58	0.37	981.84
FTSE Eurotop 300 Economic Groups						
Resources	920.24	+1.22	+11.11	2.88	0.00	933.05
General Industries	932.92	+2.86	+25.97	2.10	0.11	935.04
Consumer Goods	957.31	+1.83	+17.25	1.92	0.25	967.37
Services	988.38	+2.00	+19.34	2.25	0.39	995.14
Utilities	1026.50	+2.05	+20.34	3.80	1.34	1013.51
Financials	977.52	+2.32	+22.14	2.37	0.11	982.45

Base value 1000 [illegible] of the London Stock Exchange and The Financial Times. FTSE [illegible]

Czech Republic



SOUTH AFRICA

Johannesburg shares were dragged lower by gold stocks, which set a 14-year intra-day low as the bullion price fell to $293.25 at the London morning fix.

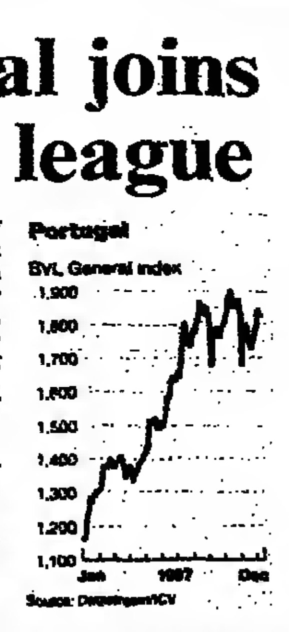
The gold index ended at 709.36, down 17.9 but above its trough of 704.8.

Elsewhere, industrials were stronger. Richemont rose R4.10 to R57.60 on strong interim results. The all share index ended 1.8 lower at 6,324.5.

MARKET FOCUS

Portugal joins the big league

Portugal officially comes of age as a developed market today when it joins Morgan Stanley's MSCI Europe index. Having achieved mainstream stability while still enjoying emerging market growth, Lisbon plans to enjoy the best of both worlds.



Promotion to the MSCI caps a remarkable period of earnings growth in which the BVL 30, Lisbon's main share price index, has gained almost 95 per cent since the beginning of 1996, the best performance in western Europe.

Turnover more than tripled in the first nine months of 1997 and the capitalisation of the stock market rose 73 per cent.

At an estimated price/earnings ratio of 18 times projected 1998 earnings, Lisbon may appear expensive in comparison to the markets with which it has traditionally been bracketed, such as Greece and Turkey.

But according to Emmanuel de Figueiredo, an analyst with Banco Portugues de Investimento, it should now be compared with more developed markets such as Madrid. Mr de Figueiredo says that Portugal offers equal security and greater earnings potential than Spain for a 1998 p/e ratio that matches the Madrid rating.

The Lisbon market is partly being driven by a sharp fall in interest rates. The differential between German and Portuguese 10-year bonds has narrowed from 350 to less than 60 basis points since January 1996. That reflects growing certainty Portugal will join the single European currency.

As interest rates tumble, funds and individuals have been accelerating the transfer of assets from fixed income investments to equities.

Last week, 450,000 small investors – more than five per cent of the adult population – placed orders for 128 times the number of shares on sale in an initial public offer of Brisa, a motorway operator.

The retail tranche of a private-sector IPO of Sonae Imobiliária, Portugal's leading shopping mall operator, due to be priced today, was 30 times subscribed.

"There is still a huge amount of money to moved out of bank accounts and bonds into shares," said Elizabeth Rothfield of Lisbon brokers, Midas.

Foreigners increased their net holdings of Portuguese equities by $1bn in the first half of this year and account for about 35 per cent of trading volume. Morgan Stanley's upgrading is expected to increase this flow and more than compensate for departures by emerging market funds.

Portugal's economic growth, forecast to remain above the European Union average for two to three years at an annual rate of more than 3.5 per cent, is high for a mainstream market.

Low inflation, expected to drop to 2 per cent in 1998, and the Socialist government's resolve to meet the criteria for joining the euro, have gone a long way to reduce the risks associated with fast-expanding economies.

Peter Wise

Nikkei moves back above 17,000

ASIA PACIFIC

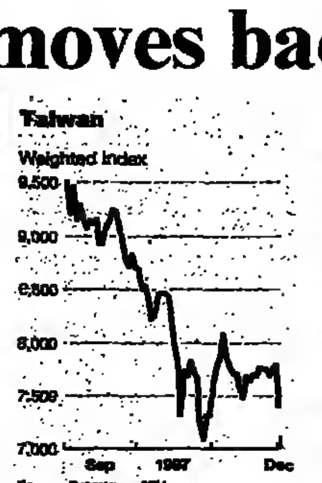
The Nikkei 225 average climbed back above the 17,000 barrier for the first time for a month yesterday as Japanese shares rose for the third successive session, *writes Gillian Tett.*

The leading benchmark closed at 17,007.59, up 371.33 or 2.23 per cent. This leaves the Nikkei slightly above its level of 10 days ago - just before Yamaichi Securities collapsed and triggered a sharp fall in banking and broker share prices.

The rebound was partly driven by technical buying, traders said. However, it also reflected growing hopes that the Japanese government is preparing to use public *funds to support the country's* ailing financial system.

By sector, banks and brokers were among the largest gainers, together with mining, fisheries and real estate. The only losers were services and electric power. Total turnover in the first section fell to 553m shares, compared with 713m on Friday, while gainers outnumber losers 856 to 277.

The bank and broker sectors rose 3.5 per cent and 5 per cent. Yasuda Trust, the ailing trust bank, was one of the biggest gainers: its shares rose Y50 to Y159 after a sharp fall last week.



Daiwa Bank's shares also rebounded strongly by Y80 to Y485. With 17.7m shares traded, it was the second most heavily traded share. Sony rallied Y300 to Y11,200 and Minebea hit a record high of Y1,460 before closing at Y1,430, up Y10 on the day.

SEOUL closed sharply lower as bearish rumours continued to circulate ahead of the delayed announcement of the terms of the IMF rescue package. The composite index closed 14.7 lower at 393.16 for a decline on the day of 3.6 per cent.

The index has now fallen for eight consecutive sessions – an overall drop of 22 per cent – to stand at its lowest level since June 1987.

Financial shares were again in the firing line on fears that a painful restructuring of the sector is in prospect after the IMF package.

Commercial Bank of Korea was Won180 lower at Won2,130 and Korea First Bank lost Won140 to Won1,720. Securities companies were also hit, with Daewoo Securities closing Won570 down at Won6,610.

Listed affiliates of the Ssangyong group lost ground heavily on fears *about the group's financial* position. The only one of Ssangyong's 11 listed affiliates to buck the falling trend was Ssangyong Paper, up Won1,900 at Won26,400, which is in the process of being taken over by Procter & Gamble of the US.

TAIWAN closed sharply lower following an unexpected victory for the pro-independence Domestic Progressive party in Saturday's local elections. Analysts said political uncertainty spelt bad news for market confidence and that the weighted index could test its 7,000 support level in coming weeks. The index closed 396.55 or 5.1 per cent lower at 7,400.64.

HONG KONG swung higher on bargain-hunting. Financials rallied strongly and the Hang Seng index closed up 223.96 or 2.1 per cent to 10,750.88 after touching 10,769.10. HSBC rose HK$4.00 to HK$190.50 and Hang Seng Bank HK$2.25 or 3.3 per cent to HK70.25. China stocks were unsettled by the result of the Taiwan elections. The red-chip index lost 1.3 per cent.

KUALA LUMPUR ended more than 3 per cent lower after market officials announced trading restrictions on five stockbroking houses, raising fears that fresh problems are on the way for the sector.

Sime Darby, whose Sime Securities unit is one of the brokers affected by the curbs, fell 16 cents to M$3.34. The composite index closed 16.99 lower at 528.45.

SYDNEY moved ahead following a broadly based rally. The All Ordinaries gained 48.3 or 2 per cent to 2,513.4.

Brazil

The slow pace of constitutional reforms – centrepiece of the government's attempt to cut spending – has left Brazil vulnerable to the whims of speculators. **Geoff Dyer** reports

Economic plan faces stern test

Over the past six weeks, Brazil's political and financial leaders have dropped into a peculiar but thoroughly modern routine. Rise early and find out what has happened overnight in Asia's financial markets. If the news is bad, cancel lunch appointments and prepare for another nerve-racking day.

Globalisation has replaced crime as the smart topic for dinner conversation in Brazil since the Asian financial crisis began to send shockwaves through Latin America's biggest economy.

The government has been given the fright of its life and its three-year-old economic stabilisation plan, which had boasted the heroic achievement of bringing once-rampant inflation down to single-digit levels, is facing its sternest test yet.

The crisis, which sent the Brazilian stock market into a nose-dive and prompted a speculative attack on tha currency, underlined two contradictory but important factors abont Brazil's nascent economic recovery.

On one hand, the turmoil provoked a deft but firm response from policymakers. Interest rates were doubled to 43.3 per cent a year and a tongh package of budget cuts was swiftly introduced.

Macroeconomic management, often a weak point in the past, is now the least of Brazil's worries.

However, the crisis also exposed the government's inability, thus far, to push through the broader political programme which is needed both to underpin the newfound economic stability and to lay the groundwork for a concerted attack on Brazil's gaping social inequalities.

At the core of the problem is a failure to rein in public spending, leading to a budget deficit equivalent to nearly 5 per cent of gross domestic product.

Interest rates remain high to finance the deficit which diverts private savings from industry and holds back growth.

However, the constitutional reforms to the social security system and civil service, which are the centrepiece of the government'a attempt to reduce spending, have languished in Congress for almost three years.

More than anything, it is the slow paca of these reforms which has left Brazil vulnerable to the whims of speculators.

As the government licks its wounds from the latest bout in the ring with international capital, it has realised that withont swift action on the fiscal front, the achievements of the past three years could be torn apart.

The potential economic damage from a large devaluation cannot be underestimated. Inflation would inevitably return, prompting an increase in interest rates and a prolonged recession.

On the political front, the re-election campaign of Fernando Henrique Cardoso, Brazil's president, has already been complicated by the crisis: devaluation would blow it out off the water.

The irony is that the crisis has come just as Brazil seemed to be on the verge of finally punching its considerable weight in the world. Despite having failed to live up to expectations so many times in the past, optimism about Brazil has been high.

Several decades of relative economic isolation and high inflation have left Brazil little understood outside Latin America.

Yet Brazil is the fifth-largest country in tha world; its economy is bigger than China's and its populetion (157m) larger than Russia's.

Government officials have been fond of saying in recent weeks that Brazilian annual GDP is bigger than all the Asian "tigers" put together.

In spite of the size of the potential market, many important industries remain woefully underdeveloped. Telephone use is the lowest in Latin America, while insurance plays a smaller role in the economy than in many African countries. Cable television anbscriptions are 10 times higher per capita in neighbouring Argentina than in Brazil.

With trade liberalised and the economy showing signs of lasting stability, these ingredients have created a powerful long-term investment opportunity for multinationals. Foreign direct investment has been flooding in and is expected to reach $17bn this year, putting Brazil second in the emerging markets league behind China.

A lion's share of this investment has been the result of Brazil's huge privatisation programme, which inclndes its vast electric energy system and telecoms network.

If all goes well, by the end of the decade Brazil will have raised more money by privatisation than the UK, Argentina, Mexico, Chile and Peru combined.

The transformed economic environment has, in turn, allowed Brazil to conduct a more assertive foreign policy. Brazil is the leading member of Mercosur, the South American trade grouping whose influence and confidence is growing rapidly, and it is a strong candidate for a seat on an enlarged United Nations Security Council.

Brazil is also emerging as the primary interlocutor for the US in South America. This has been most notable during the negotiations about a 34-country Free Trade Area for the Americas (FTAA), but in more subtle ways Brazil has acted as an intermediary on several recent occasions between the US and its South American neighbours.

Against the background of stability in its huge economy, Brazil has been gradually carving out for itself a role as a regional superpower.

Describing Brazil as a "far western country", Mr Cardoso has used the Asian crisis to emphasise Latin America's natural link with the developed world. "It is easy for Brazil, Argentina and Chile to become integrated in the globalisation process because of our history and culture," he said in an interview.

Indeed, Mr Cardoso, who is scheduled to begin a state visit to the UK today, has played a significant role in Brazil's international rehabilitation.

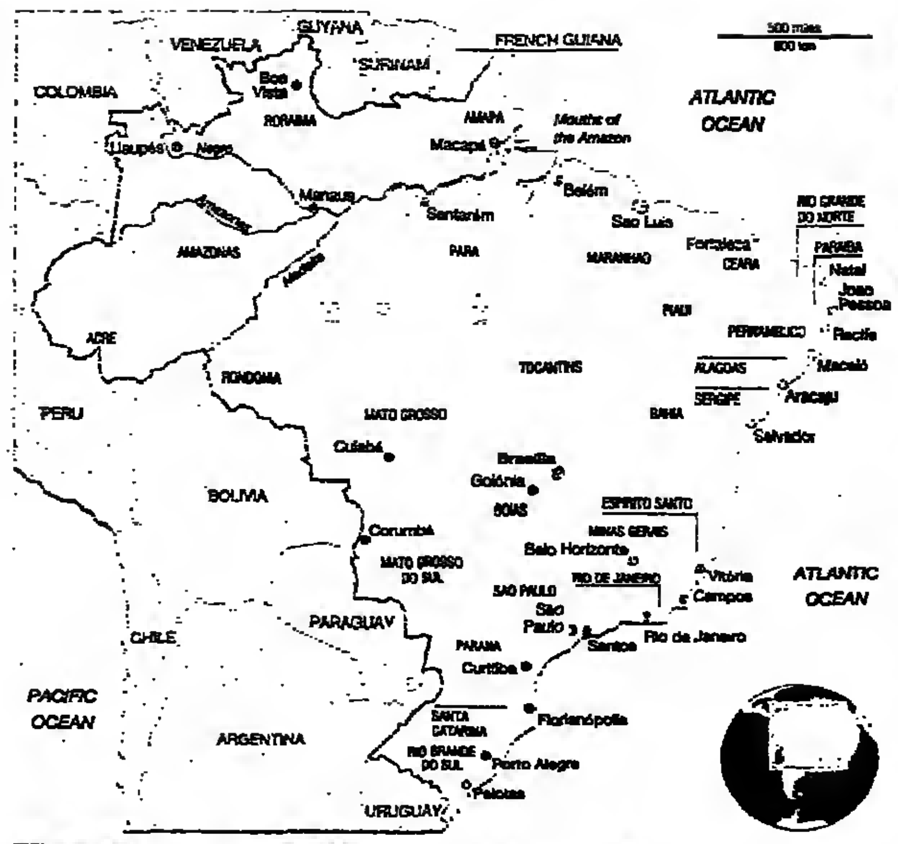
While the fiscal reforms remain stranded in Congress, questions will remain about Mr Cardoso's executive abilities.

However, the former sociology professor has brought a credibility to the presidency which has been lacking in his predecessors since democracy was restored in 1985.

But low inflation alone will not allow Brazil to realise its buge potential. Its high economic and political ambitions will continue to be frustrated unless it can make considerable progress in solving its huge social problems.

Brazil may have been making headlines for good

Continued on Page 9



Constitution

- **Official name**: Federative republic of Brazil
- **Form of state**: Federative republic
- **The executive**: The president, who is elected for a term of four years, chooses a cabinet which he heads; he holds considerable residual powers
- **Head of state**: Elected president
- **National legislature**: Bicameral National Congress; 81-seat Senate, composed of representatives of the 26 states plus the federal district of Brasília, and the 513-member directly elected Chamber of Deputies; elections for both houses are simultaneous
- **Regional legislatures**: Each of the 26 states and the district of Brasília have a legislature and an administration
- **Legal system**: Each state has its own judicial system; the country has a system of courts for dealing with disputes between states and those matters on which state courts cannot deliberate
- **National elections**: Next elections due by October-November 1998 (presidential, congressional and state)
- **National government**: Fernando Henrique Cardoso won the 1994 presidential elections in the first round on October 3, taking 54% of the vote, and took office on January 1 1995

- Area: 8,511,996 sq km
- Official language: Portuguese
- Population: 159.7 million (1997 estimate)
- Main towns and population: Brasília (capital) 1,673,151 São Paulo 9,842,059 Rio de Janeiro 5,547,033 Salvador 2,174,072 Belo Horizonte 2,060,804
- Currency: Real (R$)
- Exchange rate: 1996 average $1= R$1.0073 Nov 26 1997 $1 = R$1.1102

Economic summary

	1996	1997 Forecast
Total GDP ($bn)	749.1	770.5
Real GDP growth (annual % change)	3.0	3.5
GDP per head ($)	4,748	4,823
Inflation (annual % change in CPI)	16.5	7.2
Unemployment rate (% of workforce)	5.4	5.5
Money supply, M2 (annual % change)	3.5	7.0
Foreign exchange reserves ($bn)	58.3	58.0
Government budget balance (% of GDP)	-4.7	-4.0
Total foreign debt ($bn)	173.6	186.2
Foreign debt per head ($)	1,115	1,161
Current account balance ($bn)	-24.3	-33.3
Merchandise exports ($bn)	47.7	49.2
Merchandise imports ($bn)	53.3	60.3
Trade balance ($bn)	-5.5	-11.1

Main trading partners (share of total trade to world, 1996)

Exports		Imports
26.9%	EU	26.4%
19.5%	US	22.2%
10.9%	Argentina	12.7%
6.4%	Japan	5.2%

Source: EIU

IN THIS SURVEY

Production editor: Philip Sanders

POLITICS • by Geoff Dyer

Asian economic turmoil has cast a long shadow

The president remains the man to beat despite fears of a downturn

Until late October, Fernando Henrique Cardoso was as firm a favourite as there could be in the unpredictable world of Brazilian politics to win next year's presidential elections, and to win comfortably.

In the space of a few weeks, however, the poll next October has become considerably more interesting, and the chances of the election having to go to a second round have increased dramatically.

As a result of the Asian economic crisis, the Brazilian economy seems likely to experience a significant slow-down in 1998, if not a full-blown recession. Moreover, the prospect of a devaluation cannot be ruled out, which would hurl the economy into months of chaos.

Has Mr Cardoso been terminally damaged by the turmoil? In most democracies, a downturn in an election year would be the kiss of death for a sitting government. In Mr Cardoso's case, he has also just doubled interest rates, increased income tax and slapped higher duties on petrol, cars and air travel. Not exactly vote-winning stuff.

Yet, in spite of all the austerity measures, Mr Cardoso is still the favourite to win next year. In an interview before the crisis began, he said that the key to a smooth re-election was maintaining low inflation. That still stands.

Mr Cardoso was elected in 1994 as the creator of the Real Plan which brought inflation under control. After 30 years of perpetual price increases, this was a powerful selling point. And, although voters were beginning to take low inflation for granted before the crisis, it could still be the decisive factor next year.

If the political choice is between recession or inflation, then recession is Mr Cardoso's preferred option. "People still prefer bitter medicine, as long as he can guarantee stability," said Etevaldo Dias of Santafe Ideais, a political consultancy.

Mr Cardoso also has a powerful electoral coalition behind him. As well as his own Social Democratic Party, he is backed by the right-wing Liberal Front (PFL), the largest in Congress, the Progressive Party (PPB) and by a large part of the Movement for Brazilian Democracy (PMDB). This alliance guarantees him a powerful political machine and considerable air time on television.

The other reason for Mr Cardoso's strong position is that, so far, there is no strong alternative candidate. The crisis has prompted a flurry of activity among the centre-left parties but no politician has yet emerged with the potential seriously to challenge Mr Cardoso.

Political analysts believe that of the potential candidates on the centre-left, Ciro Gomes, former governor of the north-eastern state of Ceara has the best chance. Sharply critical of Mr Cardoso over sensitive issues such as unemployment, Mr Gomes has anti-inflationary credibility, having been finance minister briefly in 1994 during the early stages of the Real Plan. He could benefit from discontent with Mr Cardoso among some middle class voters.

However, he lacks a strong political base – he left Mr Cardoso's PSDB for the tiny PPS earlier this year. And with his background as a young, former governor from the north-east, and his telegenic appearance, he has been unable to shake off comparisons with Fernando Collor de Mello, the disgraced former president who resigned office over corruption allegations.

Moreover, Mr Gomes, who supports the government's exchange rate policy and privatisations, has yet to articulate an alternative platform to Mr Cardoso.

Another possible standard-bearer of the centre-left is Itamar Franco, the former president. Mr Franco can also claim strong anti-inflation credentials, having been president when the Real Plan was launched. His opposition to the controversial privatisation of CVRD, the mining company, gives him a nationalist and populist edge.

However, the PMDB, the party to which Mr Franco affiliated earlier this year, is seriously divided over how to approach the elections. A large section of the party wants to support Mr Cardoso and is only likely to support a different candidate if the economic situation seriously deteriorates. Mr Franco could also face opposition from two other potential candidates in the PMDB, Jose Sarney, another former president, and Roberto Requião, a senator.

The other challenge to Mr Cardoso will come from the left-wing Workers Party (PT), and is likely to be Lula, the party's candidate at the last two presidential elections.

The PT remains a significant force in Brazilian politics. Lula consistently ranks second behind Mr Cardoso in opinion polls with a stable support of about 25 per cent and the party has several regional strongholds.

However, the PT has been outflanked by Mr Cardoso, whose anti-inflationary policies benefit one of its natural constituencies, low-income workers, and the party is riddled with divisions. (Indeed, some of the moderate leaders have recently begun to defect from the PT to other parties on the left.) Political analysts argue that unless there is a prolonged economic crisis, Lula will not present a serious challenge to Mr Cardoso.

However, such a crisis cannot be ruled out. The financial market turmoil has renewed fears of a forced devaluation, which would lead to a sharp recession and almost certainly an increase in inflation. If that happens, all previous bets about the election would be torn up. Analysts say it is impossible to predict who would fill the vacuum. Perhaps the PT would find itself vindicated and Lula would rediscover his fire of old. Maybe Mr Cardoso would be viewed as the only person who could bring the economy back from chaos again. Or it is possible that a new figure from outside the political establishment would rise to the occasion. "Devaluation would produce a very volatile environment," said Alexandre Barros, a political analyst.

The most intriguing devaluation scenario involves Paulo Maluf, leader of the PPB and a long-time presidential hopeful. When the crisis began Mr Maluf initially criticised the government. However he has since announced his complete support for Mr Cardoso in next year's elections and for the government's fiscal reforms.

Cynics say that Mr Maluf, a former mayor of São Paulo, is positioning himself for an economic crisis, when he will be able to present himself not only as a supporter of the low inflation policies but as the only politician with the executive abilities to resurrect the economy.

THE ECONOMY • by Stephen Fidler, Latin America Editor

Vulnerable to change

The government's decisive action contrasted with sluggish reactions in Asian countries

São Paulo: some shops froze interest charges for a brief period after rates were doubled Picture: AP

Economic policymakers in Brazil have long recognised the dangers posed by the volatile international financial markets to their anti-inflation programme.

Sooner or later it was clear that unless action was taken to rein in the government's fiscal deficit – forecast at about 5 per cent of gross domestic product this year – the government's success in reducing inflation remained insecure. "Fiscal deficits of 5 per cent of GDP are unsustainable over time," admitted Pedro Malan, the finance minister, in May.

In fact, as is often the way with financial markets, the period of financial stress expected ahead of next year's October elections came sooner rather than later.

Brazil had managed to shrug off currency instability in Asia during July and August. But when in October, Asia's troubles triggered sharp falls on Wall Street, Brazil stood out on the radar screens of nervous investors.

Its economic imbalances – high fiscal and current account deficits, and an exchange rate that most economists viewed as overvalued – suggested it was vulnerable to a change of investor sentiment.

The response from the government to the instability was decisive. The immediate response from the central bank was a doubling of interest rates – which were already high in real terms – to prevent a run on the currency.

This immediately led to a downgrading of expectations for growth next year and for the current account deficit. Growth is now widely expected to be no higher than 2 per cent next year, and could be significantly less depending on how prolonged the period of high interest rates is. Furthermore, the current account deficit was expected to drop from 4.3 per cent of gross domestic product this year to 2.9 per cent or less next.

But if the external imbalances were expected to become less marked, higher interest rates also implied higher government spending – and a bigger budget deficit. The fiscal deficit had been falling – to the equivalent of some 5 per cent of GDP this year. But to reduce the shortfall sustainably required constitutional amendments that Congress had been unwilling to grant President Fernando Henrique Cardoso's government.

So the second leg of the plan was a strong emergency fiscal package meant to increase revenues and lower spending by a combined total of R$20bn ($18bn). Only a small part of that package depended on congressional approval. The government also seized the opportunity to push forward once more its long-standing efforts in Congress to secure a more sustainable fiscal balance.

In this way, the government's decisiveness contrasted with the sluggish reactions of some Asian governments to runs on their currencies. Furthermore, the arithmetic of Brazil's debt obligations improved significantly after the package was announced.

According to Paulo Leme of the New York investment bank Goldman Sachs, the gross external borrowing requirement of Brazil next year – that is the current account deficit added to debt maturities adjusted for changes in reserves – should fall to $36bn from $62bn.

However, investors remained anxious. A sharp stock market fall was an obvious reaction to the rise in interest rates, while doubts quickly surfaced about a number of – mostly second line – banks.

Moreover, the current account deficit – though lower as a percentage of GDP – remained large in absolute terms, and vulnerable to a more hostile international financial environment. The disposition of Congress to take action to secure long-term fiscal balance also remained in doubt.

Lastly, the expectation that at some point a shift in exchange rate policy would be necessary seemed likely to keep pressure on the Real.

The government argued that the Real was depreciating in real terms against the dollar because the currency's monthly devaluation was faster than inflation, and that productivity was increasing, too. On top of that, foreign direct investment is significant – more than $15bn this year – and helped by an active privatisation programme that is attracting foreign capital.

In an interview in October, Mr Cardoso made clear that he believed his re-election next October depended on avoiding a resurgence of inflation. Mr Cardoso hatched the Real anti-inflation plan in 1993 when he was finance minister and his political future continues to be tied to it. Inflation has fallen from 2,500 per cent in 1993 to about 4 per cent. In the balance between slowing growth and keeping inflation low, the president has made his priority clear.

Yet this alone may not be enough to withstand investor expectations that once the October elections are out of the way, a sharper devaluation is on the cards. If that is the case, the markets may well take matters out of the government's hands.

The longer term macroeconomic objective of the government must be to reduce the vulnerability of the country to speculative attack. To do that it has to increase domestic saving – by cutting the budget deficit and thereby reducing public dis-saving as well as increasing private saving.

Mr Malan has announced that the government intends to bring forward this long-term savings agenda to next year. Yet until Congress shows that it accepts its own responsibility for the financial turmoil that has enveloped Brazil since October, investors are likely to remain sceptical.

FOREIGN POLICY • by Stephen Fidler

Ready to play a bigger role in international affairs

If the Real plan succeeds, Brazil may assume a greater voice in world affairs

The former British foreign secretary Douglas Hurd used to claim that Britain "punched above its weight" in international affairs. While there may be room for debate on that subject, few would disagree that Brazil's weight in international affairs has not reflected the size and importance of the country.

There are a number of historical reasons why this should be so.

The Brazilian economy, despite the country's geographical size, was smaller than Argentina's for the first half of the century.

There followed a period of economic and political introspection, including 20 years of military rule until 1984.

The economy was closed to international trade and relatively speaking remains so, in spite of recent reductions in barriers to trade and the Mercosur customs union.

Moreover, the economic instability and high inflation that characterised the country, at least until 1994, disqualified it from offering economic or political leadership even in South America.

The prospect for stability offered by the Real anti-inflation plan suggests that may change. If it succeeds, Brazil can be expected to assume a greater voice in international and regional affairs.

Luiz Felipe Lampreia, Brazil's foreign minister, says Brazil is now "a country that's in the mainstream of international behaviour". As a result, he says: "We are more assertive and more self-confident than we were in the past."

However, Brazil remains "careful in being non-interventionist and not to pose as a spokesman for Latin America".

As a result, the government feels justified in raising once more the long-cherished dream of a permanent seat on the UN Security Council.

One important vehicle for Brazilian leadership has been Mercosur, the trade grouping it formed together with Argentina, Paraguay and Uruguay in 1990. Since then, Chile and Bolivia have come on board as associate members and discussions are under way for an association with the Andean Community that would bring in the rest of Spanish-speaking South America.

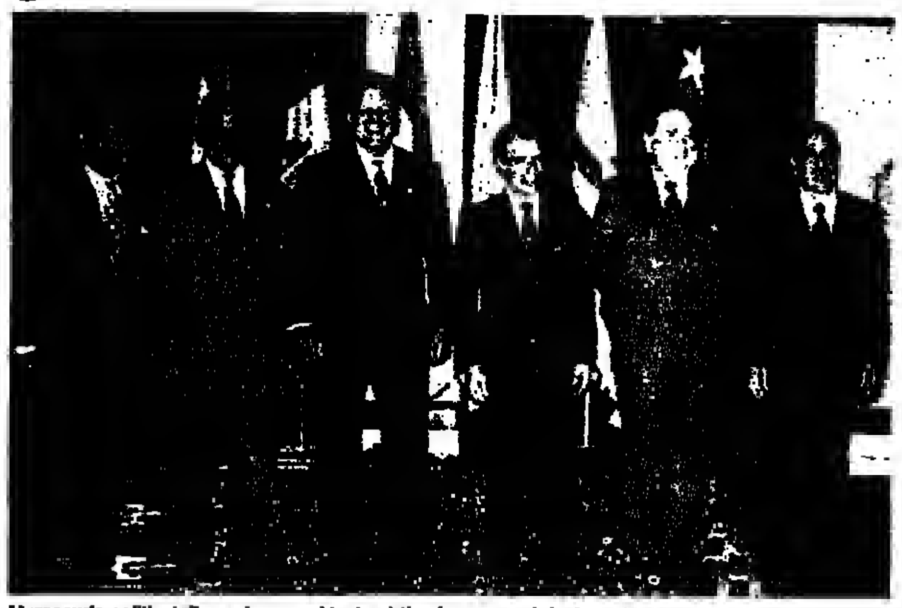
Mercosur has been controversial. While it has locked Brazil into lowering tariffs since 1990, it has been accused by trade economists of diverting trade.

Certainly, aspects of the trade arrangements, such as the vehicle accord, have come under particularly strong attack.

Furthermore, while it calls itself a customs union, it patently is not yet and there are many practical obstacles to free trade within the region – such as obstructive border officials.

The grouping also prompted nervousness last month when it raised the common external tariff on imports by 3 percantage points to about 15 per cent.

But the grouping has a political dimension too, and brings together countries that were formerly antagonistic. A military coup attempt in Paraguay was effectively foiled after Brazilian and Argentine officials made it plain that a military-led government would be expelled immediately from Mercosur.



Mercosur's political dimension: presidents at the June summit in Asuncion, Paraguay (from left): Sanchez de Lozada of Bolivia; Cardoso of Brazil; Wasmosy of Paraguay; Menem of Argentina; Sanguinetti of Uruguay, and Frei of Chile Picture: AP

Indeed, Brazilian officials talk more than they did of deepening Mercosur as well as broadening it. Yet this process will not be easy, particularly given the lack of supranational institutions to drive forward the project when political will slackens. Moreover, a deeper Mercosur is also likely to require a greater economic co-ordination than is conceivable today.

There are also centrifugal forces. Although Paraguay is economically not central to Mercosur, the trade grouping is not popular there and it represents a potential obstacle.

However, another potential threat to Mercosur – that South American countries would be tempted to join the North American Free Trade Agreement with the US, Canada and Mexico – receded last month with the failure of US President Bill Clinton to obtain fast track negotiating authority from Congress.

This also reduced the likelihood of any rapid movement towards the Free Trade Area of the Americas, to which leaders from the Americas, apart from Cuba, committed themselves at a 1994 summit in Miami. When the leaders next get together in Santiago in April, Brazil's misgivings about a rapid move towards lower tariffs in the western hemisphere are likely to have more weight.

"We are not interested in going into an FTAA without two things being spelt out," says Mr Lampreia, speaking before Mr Clinton withdrew his fast track proposal last month. "First, what are we going to get for it? Preferential access to the biggest market in the world is a thing to be desired but it remains to be seen what kind of access we will have." Brazilian steel, textiles, leather goods and orange juice were all important products that had difficulties entering the US market.

"Second, we are fully aware of the fact that the Brazilian economy for the moment is not strong enough to go one on one on a level playing field with the US. It would be devastating." Some Brazilian industries would need strong tariff protection and that would have to be negotiated, he said.

Nonetheless, as a longer-term objective, Brazilian officials say an FTAA is desirable. Furthermore, US-Brazilian relations received a boost from the October visit of President Clinton, when he emphasised that the US was not antagonistic towards Mercosur. Following the visit, President Fernando Henrique Cardoso said: "Now we have with the Americans an adult kind of relationship."

Brazil has attempted however to keep its international relations balanced. "We are trying to keep our presence across the world in an equilibrium," Mr Cardoso said.

One aspect of this is a possible free trade accord between Mercosur and the European Union. However, some Brazilians note that there is an element of competition with the US and that Europe's eagerness to talk free trade seems to move in direct proportion with Washington's. Furthermore, any agreement desired by Mercosur would have to include agriculture – and that would imply significant reform to the EU's Common Agricultural Policy.

VENEZUELA FRONTIER • by Raymond Colitt

Fresh links begin to emerge

Decades of protectionism and isolation are beginning to crumble

Thousands of kilometres from Brasília, the capital, in the country's northern Roraima state, many Brazilians increasingly see brighter prospects for their economic growth across the border in neighbouring Venezuela.

For decades, each country's nationalist and centralised economic development strategies ended at the common border. Roads, telephone lines, and other communication links came to an abrupt halt. Trade was fostered elsewhere.

While Venezuela looked northward to the US and its neighbours, Brazil looked at first inward and later to its Mercosur partners.

Now energy and transport links are beginning to emerge and decades of protectionism and isolation are beginning to crumble.

To a large extent, geography is the underlying reason for the the trade rapprochement. Brazil's north-western Roraima and Amazon states are far closer to Venezuela's urban and industrial centres than to Brazil's.

"The trade opportunities of Roraima with Venezuela and the Caribbean are much bigger than those with the rest of Brazil," says Salomão Cruz, congressman for the state of Roraima. Such orientation, he adds, was reinforced with the completion of a paved road to Ciudad Guayana across the border in Venezuela, while the road south to Manaus – Roraima's link with the rest of Brazil – is not yet complete.

Eager to expand the emerging industries of Boa Vista, the capital of Roraima, the region has been especially eager to tap Venezuela's surplus capacity of hydroelectricity. The reach of Brazil's own massive source of hydroelectricity ends further south, and bringing in fuel to run a thermoelectric plant is not cost-effective in the long run. As a result, Brazil's Electronorte and Venezuela's Electrificación del Caroní (Edelca), a subsidiary of the state-owned industrial holding company CVG, signed an agreement to construct a 700km transmission line from the recently inaugurated Macagua II hydroelectric plant along the Caroni river to Boa Vista.

The power line is to be inaugurated by the end of 1998 and will provide some 200MW at a cost of $26 per MWh during the first 10 years of the contract and $28 per MWh during the remaining 10 years.

"I have always said South American integration cannot be limited to commerce. It is based on a tripod made up of free trade, energy integration and physical interconnection," said Brazilian President Fernando Henrique Cardoso at a bilateral summit with Venezuela's president Rafael Caldera earlier this year in Boa Vista. Recent integration efforts are largely attributed to a personal friendship and commitment of the two presidents.

The newly paved road linking Ciudad Guayana with Boa Vista is soon to be extended to Manaus.

"We see considerable export potential to Venezuela once the road is completed," says José Osvaldo, administrative superintendent with the Manaus Free Trade Zone. Currently only a fraction of the state's estimated $140m exports go to Venezuela because of the poor transport links, he says. The free trade zone, produces principally electronics, watches, and motorcycles.

The recent rapprochement between the two border areas, some analysts say, is a reflection of Brasília's realisation that centralised development has not provided results. "It is simply a recognition of our geographic reality," says one Brazilian diplomat.

Yet politicians envision more than just border trade. "Venezuela is crucial to Brazil in general. We don't want the relationship to be restricted to northern Brazil," says Luiz Felipe Lampreia, Brazil's foreign minister. "Venezuela is one of the richest countries in the world in terms of oil and gas and we want to strengthen our partnership with it."

Indeed, Brazil has dramatically increased its imports of oil and its derivatives from Venezuela to close to $1bn in 1997, replacing Saudi Arabia as the second-largest supplier of oil after Argentina. "It is part of our energy policy to rely more heavily on regional suppliers," says Joel Mendes Rennó, president of Petrobras."

With Brazil's drive to achieve energy self-sufficiency, such imports may drop off in a few years. But according to Mr Lampreia the new trade links are permanent. Roads, joint ventures, energy imports, and increasing investment and trade "are a very important foundation" on which future trade will be built, he argues.

The likelihood of a trade agreement in 1998 between the two trade blocks Mercosur and the Andean community, of which Brazil and Venezuela, respectively, are members, further heightens the prospects of growing bilateral trade. Brazil has been pushing the trade talks between the two trade blocks, saying it will not renew its bilateral trade agreements with either of the Andean Pact countries beyond December 1997.

"We believe that this rapprochement with Venezuela is one of the most important developments of the 1990s," says Mr Lampreia. "We don't think this is a passing feature of President Caldera's or President Cardoso's tenure."

TRANSPORT • by Richard Cowper

Stuff of dreams – and nightmares

Brazil's sell-off programme is transforming roads, ports and railways

Moving people and freight across the Latin American giant of Brazil can be the stuff of dreams – or the cause of nightmares.

Brazil, with 160m inhabitants, has the world's biggest river system and abont a quarter of the world's primary rain forest – largely impenetrable for an area the size of Europe. São Paulo is the world's third-largest city, with more tower blocks and a denser population than New York – and longer traffic jams than any western capital.

The roads outside the main cities are often so bad, and the driving so frenetic, that Brazilians are 10 times more likely to die in traffic accidents than their counterparts in north America. They have the highest death rate from motor accidents in the world.

The only positive aspect to this is that they have produced three Formula One motor racing champions: Ayrton Senna, Emerson Fittipaldi and Nelson Piquet.

One of the roads out of São Paulo is a six-lane toll highway, as modern as any elsewhere. But of the 5,700km of federal highways in the poverty-stricken northern state of Bahia, "some 40 per cent are practically impassable" according the Ministry of Transport.

Traffic jams in São Paulo regularly exceed a daily total of 150km; investment in integrated urban mass transit systems has been minimal; and metro lines remain underdeveloped and trains largely ignored. Almost everyone travels to work by bus or car and the cities of São Paulo and Rio de Janeiro are among the most polluted in the world.

In addition to ferrying the inhabitants of the world's sixth most populous country to and from work, Brazil's transport systems have to carry the agricultural crops of the world's largest exporter of coffee, orange juice, iron ore, sugar, fruit and chickens – Latin America's largest exporter of cars and soya beans, to mention but a few of the products for which the country is famous. But the cost of moving these goods is often expensive due to tired railways, potholed roads, poor use of river and sea transport, and ports with equipment and work practices so outdated that exporters are frequently driven to despair.

According to Frederico Bussinger, director of the port anthority of Santos, Latin America's largest port, just over 18 months ago as many as 500 dockworkers were occasionally earning monthly wages of abont R$30,000 – more than Fernando Henrique Cardoso, the Brazilian president.

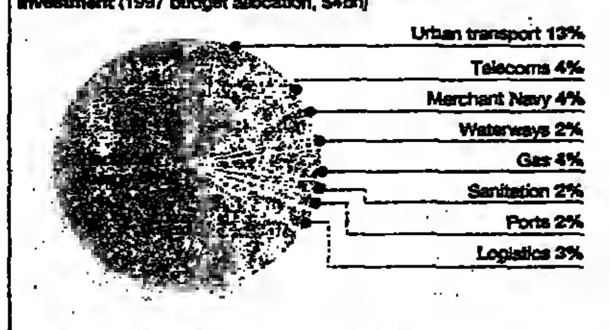
The average cost of transportation has been estimated at R$0.02 per useful km in Brazil, compared to R$0.009 in the US and Canada. Bnt all that is changing. A latecomer to market oriented reform, Brazil was slow to sign up to the integrated capitalist world economy. Now, under President Cardoso, a former Marxist, Brazil is selling off or leasing its huge and inefficient state sector to foreigners and locals alike, with all the speed and fundamentalist gusto of a convert.

According to BNDES, the Bank for National Development, in the first 10 months of this year alone the government raised $23bn from privatisations and concessions (40 per cent from foreigners) – of which a significant proportion was in infrastructure and transport.

BNDES expects to have disbursed well over $11bn in 1997 to help provide long-term finance for this transformation, approaching last year's total worldwide disbursements by the World Bank. Of this, $4.3bn is expected to go into infrastructure (13 per cent into urban transport), up from $1.72bn last year and just $478m in 1994. With matching investment from the private sector, and the government, investment in infrastructure in 1997 is likely to exceed $12bn.

Infrastructure

Investment (1997 budget allocation, $bn)

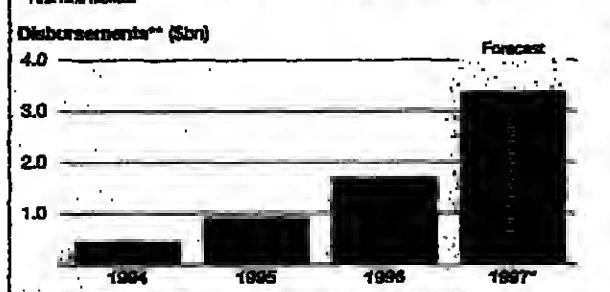


Projects* (partly funded by BNDES 1997, $bn)

Sectors	Private Total investment	Private BNDES part	Public Total investment	Public BNDES part	Total Total investment	Total BNDES part
Electric power	7.83	3.62	0.98	0.22	8.81	3.84
Telecommunications	5.06	2.04	1.57	0.40	6.63	2.44
Urban transport			3.03	1.53	3.03	1.53
Logistics	1.56	0.63	0.30	0.05	1.86	0.70
Oil and gas	1.90	0.97	2.70	0.83	4.60	1.80
Ports and waterways	0.10	0.06	1.76	0.76	1.86	0.78
Sanitation	0.12	0.05	1.35	0.20	1.47	0.25
Total	16.59	7.39	11.69	3.95	28.28	11.34

*First nine months

Disbursements** ($bn)



NB BNDES funds are financed by government bonds and multilateral agencies
**Disbursements by BNDES, Federal Bank for National Development Source: BNDES

Ivone Hirom Saraiva, superintendent of infrastructure projects at BNDES, says: "Brazil is on the move. Roads, rail, ports and electricity: the privatisation programme is transforming the country. BNDES hopes to spend $6bn next year on infrastructure and I have projects worth $39bn on my books. To help finance our lending, we hope to go to the bond market again next year to raise around $1.5bn. This year we raised $1bn."

Brazil has decided to go for a more radical solution to its road problems than many western countries, aiming to create about 15,000km of self-sustaining road sections with revenue from turnpike proceeds over the next decade. The country has a national fleet of 15m cars and 1.1m active trucks and nearly 90 per cent of its passenger traffic travels by road.

But of 1.6mkm of roads, less than 10 per cent are paved and according to a national road survey carried out this year by the Brazil National Federation of Transport more than 90 per cent of the country's paved roads are in a "deficient or very poor" condition.

The reason has been that government and state spending on roads has fallen from 1.2 per cent of gross domestic product in 1988 to just 0.2 per cent in 1996, during which time road traffic more than doubled. Only 9,397km of new roads were built between 1990 and 1995; less than half the 23,628km built in the previous five years.

In the past 12 months, dozens of road concessions have been signed over to private companies by the federal government and the states in what will be the world's biggest road privatisation programme. More than 1,000km of roads have already been franchised to private initiatives and the aim is to grant about 5,000km by the year 2000.

Companies are obliged to invest agreed amounts in road widening, accident monitoring, maintenance and sign renovation and to provide the government with a fixed proportion of monthly income from toll receipts.

São Paulo state is leading the way and is in the process of awarding an initial 22 concessions covering 4,800km which are expected to bring in $30bn in gross revenues over 20 years, with concessionaires investing at least $5bn.

But the nation's continuing love affair with the car and the open road has not hindered the government from acting decisively on railways. All six branches of Brazil's 22,000km federal railway network have been been auctioned off in the past two years and are now under privete management, having raised $8bn. The last branch was sold for $11m in August.

There is lucrative business to be won. Despite Brazil's enormous size, some 56 per cent of freight, including bulk cargoes such as soya, is carried by truck. In the US, where cargoes and distances are similar, the figure is 28 per cent.

Only 9 per cent of the Brazil's freight has been carried by rail, but it is hoped that a more aggressive approach by private companies, coupled with increased efficiency, will raise this to 15 per cent in the next five years.

The network, which employed 150,000 people when it was nationalised in 1957, is now heading for a staff of 15,000.

Investment is expected to total about $5bn, with the government set to earn $150m every year from the 30-year concessionaires.

PROFILE Port of Santos

Slumbering giant finally wakes up

Among ports serving Brazil's reinvigorated economy, Sepetiba, two hours' drive south of Rio de Janeiro, is the young pretender with highly publicised ambitions to become Latin America's largest container terminal.

But Santos – the continent's biggest port and until this year a slumbering giant with decaying facilities nearly a century old and work practices to match – has finally woken up to the challenge.

Reform is sweeping through the port, which lies 72km from São Paulo and which handles about 30 ships a day and 38m tonnes of cargo a year, worth about $30bn free on board (FOB).

The port is the world's leading shipping outlet for coffee, sugar and orange juice.

Privatisation, plummeting port handling charges, new equipment and improved work practices seem likely to boost Santos's operation – which handled 850,000 container units (TEU) in 1997 – to more than 2m by the year 2000.

This will be well in excess of Sepetiba's two new container terminals which, when they come on stream in 1998, will be able to handle a maximum of 500,000 container units (TEU) a year.

Improved competitiveness at Santos may even unravel hopes for a third container terminal at Sepetiba.

Frederico Bussinger, director of the port authority, says:

"We are in a race, but we start way out in poll position. Our immediate hinterland accounts for about 45 per cent of Brazil's total gross domestic product.

"We are now giving our operation a complete service.

"I can not see Sepetiba or any other port in Latin America catching us."

Not everyone is so convinced. Mr José Luis de Freitas Valle, director of São Paulo's Transport Commission, says: "Even after all our efforts and threats, Santos is still one of the most incompetent, high-priced, badly administered ports in the world."

But this judgment fails to take into account radical changes made in the past six months.

In spite of tremendous opposition from unions and vested interests and in the face of a wave of strikes and slowdowns the port has:

- Sacked about 15,000 dockers whose high wages and restrictive practices threatened the future of the port. The expected result is a saving on labour costs of between 20 and 60 per cent;
- Switched from an 18-hour day five days a week, round-the-clock operation, seven days a week;
- Reduced port dues from $7.05 a tonne in January 1996 to $2.16 now, with a plan to cut them to $1.46 by May next year;
- Privatised about 70 per cent of the port, selling 16 concessions to various consortiums including several foreign companies, which have pledged minimum investments of about $360m. A new grain terminal has already been built and two container terminals are being modernised. The rest of the port will be privatised next year;
- Embarked on plans to improve access with a tunnel under the port estuary, transform a military airport into a civil one and open a new six-lane access road alongside the port.

Not all has been plain sailing, however. As much as a month has been lost in labour disputes this year and competition from other ports has lost Santos contracts for 1.5m tonnes of raw sugar and a significant volume of soya bean despite an overall increase in tonnage of nearly 5 per cent in 1997 over last year.

Mr Bussinger, who has negotiated with the unions and masterminded the privatisation, says:

"This port has had radical surgery. The institutional environment has been profoundly changed. I can assure you we are going to get those contracts back in 1998. Our handling charges for sugar were $40 a tonne last year. We have got them down to between $22 and $16 now, and by 1998 it will be below $12 a tonne.

"Our current port handling costs are about $550 per container on average. Concessionaires are contracted to reduce their price to $150 or less by 1999. They say they will hit that well ahead of time."

The transformation of Santos has been one of the biggest political and structural problems that the Brazilian export economy has faced.

The nine unions that make up the workforce still have the capacity to make life difficult, but with Sepetiba and a host of other privatised ports breathing down their necks, they are beginning to accept the new reality and Santos looks close to getting back on course.

Richard Cowper

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LIBERALISATION • by Jonathan Wheatley

Experience was painful

As well as stabilising the currency, the Real Plan has been a force for change

Foreign investors are using the car industry as a manufacturing base for domestic and export markets

The extent of Brazil's insertion into the global economy goes much deeper than its proven vulnerability to shockwaves emanating from Asian capital markets. The removal of trade barriers and the stability of the currency have brought companies into competition with rivals that could as easily be on the other side of the world as on the other side of town.

For most, this is a new experience. Brazilian industry was almost completely sealed off from foreign competition until the start of the 1990s, when trade barriers were torn down. The process of opening up has been dramatic and swift.

"There are very few distortions left," says Raul Beer, a partner at Price Waterhouse in São Paulo. "In 90 per cent of its trade, Brazil is at least as open as its partners, in many cases more so."

It has been a painful process. Traditional manufacturing industries such as textiles and footwear, which are both labour and capital intensive, have been hit particularly hard. Isolated in the past both from their competitors and from access to modern machinery, they neither needed nor were able to match international levels of productivity. Since trade barriers fell, both industries have suffered heavy closures and job losses.

But while liberalisation has exposed the weaknesses of many manufacturers, the economic stability that followed under the Real Plan has released others from the tyranny of high inflation. The result is that, instead of devoting their energies to financial engineering and wringing profits out of inflation, companies can concentrate on the job in hand.

"As well as stabilising the currency, the Real Plan has been a force for change in the economy," says Octavio de Barros of Sobeet, a think tank looking at multinational companies and globalisation. "Today, companies recognise that growth cannot be financed through inflation and irresponsible borrowing. There is a new mentality, a search for international standards in quality and productivity."

One result has been a wave of mergers and acquisitions. According to KPMG Corporate Finance, the number of transaction rose from 58 in 1992 to 328 last year, with 286 recorded to the end of September this year.

For the past five years, the most active sector has been the food and drink industry, where the complexities of manufacture and distribution in Brazil's continent-sized market make a local partner essential to new entrants.

Fast catching up is the financial sector, which has been marked over the past three years by high-profile mergers of local banks and by the arrival of foreign institutions. Consolidation of the industry has been helped by a government scheme known as Proer, providing finance for the costs of mergers and acquisitions. The process is almost complete, and the scheme is being wound down. But the financial sector is representative of the economy as a whole: while the big shocks may be over, more restructuring lies ahead.

"In terms of slimming down, there is still a lot to be done," says David Bunce, a partner at KPMG in São Paulo. "Some banks may have lost half their staff in the past five years, but their operating costs are still five times the level of banks in the US."

Nevertheless, the financial sector is one area in which Brazilian companies are developing strategies beyond the country's borders. Banco Itaú, Brazil's second-biggest private sector bank, has moved aggressively into Argentina's retail banking market. Unibanco, the third-biggest, has bought a London brokerage to help expand its investment banking business.

There are isolated examples of Brazilian multinationals in other sectors – the construction industry is the most prominent – but for most manufacturers, the domestic market provides ample long-term opportunities.

The same is true of most foreign investors. One exception is the car industry, where Brazil is being used as a manufacturing base for the domestic market and for export to other countries in South America and beyond.

However, few companies investing in Brazil are looking beyond the country or, at most, its partners in the Mercosur trade alliance, Argentina, Paraguay and Uruguay.

"Brazil never was and never will be an export platform," says Mr de Barros at Sobeet. "Increasing Brazil's exports, particularly of manufactured goods, is a big challenge that should be risen to, but without the illusion that companies will invest here with exporting in mind."

That foreign manufacturers view local markets as sufficient attraction is clear from the amount of direct investment coming into Brazil. From a little over $1bn a year at the start of the decade, it rose to $10.3bn last year, about $15bn this year and, says Mr de Barros, will peak at about $20bn in 1998 and 1999.

The recent collapse of share prices is bound to have some impact on the amount of investment next year: higher interest rates will increase the difficulties of companies looking for buyers and raise the cost of capital to investors, pushing acquisition prices down, while the threat of recession will cause some investments to be postponed.

Nevertheless, those investors already convinced of Brazil's long-term potential are unlikely to be put off. Indeed, most investment is by multinational companies that are well established in the country. According to Sobeet, 40 to 45 per cent of direct investment this year came from multinationals already operating in Brazil – it says 387 of Fortune magazine's 500 biggest multinational companies are present – with 30 to 35 per cent absorbed by privatisation and 20 to 30 per cent taking the form of new entries.

PRIVATISATION • by Geoff Dyer

Vital test of confidence

The programme has become the main engine for generating econmic growth

At 9.32 am on November 4, the Brazilian privatisation programme, and by extension the whole economy, seemed to be staring disaster in the face.

The scene was the São Paulo stock exchange and the occasion the planned privatisation of Companhia Paulista de Forca e Luz (CPFL), one of the state's electricity distribution companies. With share prices collapsing and the currency under pressure, the auction had become a vital test of confidence in the medium-term future of the economy.

Yet, with one minute to go before the deadline, not a single bid had been presented to the auctioneer. State government ministers and officials swapped nervous jokes. Mario Covas, the governor, looked on impassively.

Five seconds before the hammer fell, however, four companies rushed forward to present their offers. Officials sighed with relief. The winning bid, R$3bn by VBC, a consortium of Brazilian companies, far surpassed analysts expectations and was in line with their pre-crisis forecasts for the auction.

And to satisfy those sceptics who feared that international investors would steer clear of Brazil at present, the second place bid of R$2.63bn came from Light, the Rio de Janeiro company controlled by three foreign energy groups, Electricité de France, AES Corporation and Houston Industries of the US. "It was a very important signal about how companies view the long-term outlook for the economy," said Mauro Schneider, chief economist at ING Barings in São Paulo. "The CPFL deal helped to reduce worries about the country's economic stability," says a New York-based economist.

The benefits of privatisation are usually described in terms of micro-economics – of improved operational efficiency, more professional management and a more rational capital structure. In the Brazilian case privatisation is being used, arguably more than ever before, as an instrument of macro-economic policy.

With the economic crisis in Asia threatening to destabilise Brazil, the role of the privatisation programme has taken on an even greater importance within the government's economic strategy. It is the glue that binds the policy together.

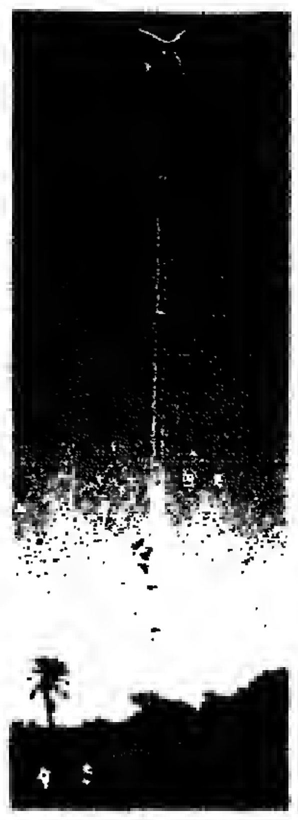
The principal economic task of privatisation is to reduce the risks associated with Brazil's twin deficits on the budget and on the current account. On the fiscal front, asset sales do not solve the underlying problem of excessive public spending but they can be used to stop the stock of government debt from expanding while budgetary reforms are attempted.

The willingness of companies to pay ever larger premiums for Brazilian assets, confirmed by the R$625.5m sale in November of Enersul, the Mato Grosso do Sul electricity company, has led economists to predict that privatisations will raise $90bn for the government by 2000.

The continued interest of international investors in Brazilian public sector assets will also ensure a steady flow of reliable, long-term capital into the country, plugging part of the gap left by the current account deficit. Privatisation reduces the economy's dependence on fickle, short-term capital.

These two objectives of Brazilian privatisation have been much remarked upon. What has been less apparent until recently has been its role in stimulating growth. The privatisation programme has become the primary engine for generating economic activity next year.

With real interest rates of more than 35 per cent a year and with R$20bn due to be taken out of the economy in 1998 in budget cuts and tax increases, industry is suffering, especially consumer-related sectors which rely on credit, such as cars and electrical goods.



Wind power for rural areas: privatisation in the energy sector is stimulating spending

In most countries, such austerity measures would plunge the economy into a deep recession. That this outcome is not inevitable in Brazil is due to the huge investment that privatisation is bringing to the economy. Privatisations in the energy and telecoms sectors are setting off a wave of spending in related equipment and infrastructure. For instance, having paid R$2.65bn for the concession to operate cellular phones in São Paulo, a consortium led by Bell South of the US is investing a further $500m in setting up its network. Without this boost, the economic prospects for 1998 would look even more bleak than they do now.

The success of the CPFL deal may have answered questions about Brazilian privatisation in the short-term, but there are still some doubts about the government's ability to keep to its ambitious timetable without suffering a reduction in prices.

One source of concern rests on the financing side. Most of the deals so far have used some form of short-term bridge financing from a small group of banks, often with the intention of re-financing the loan in international capital markets at a later stage. If bidders continue to pay such high prices for assets, the supply of ready funds could come under some pressure. "There is only so much money that the credit committees of these banks want to commit to Brazil, especially at the moment," says one adviser at an international bank.

The other question is whether there will be enough willing buyers for all the assets the government has put up for sale. In the telecoms sector Brazil is up against several other countries which are trying to privatise their telecoms networks over the next couple of years.

In the energy sector the competition will not be so stiff, but Brazil has a long list of companies to sell. To avoid congestion, the federal government will need to co-ordinate closely with the states, especially São Paulo, which is also planning to sell Eletropaulo, its other distributor, and CESP, the generation company.

In spite of the success of the CPFL deal, some analysts believe it is inevitable that the economic crisis will reduce the proceeds from privatisations. For a start, domestic bidders now face substantially higher borrowing costs at home, limited access to international capital markets and lower share prices.

The financing costs could also rise for many foreign companies, especially if they intend to use the target company's shares as a guarantee for borrowing or if they plan to issue bonds to finance the acquisition, given the perceived increase in Brazilian risk. The financial market turmoil will inevitably take some of the gloss off Brazil's privatisation drive.

THE STOCK MARKET • by Richard Cowper

Investors are worried

A range of factors has raised concerns and exacerbated the market's volatility

São Paulo stock exchange: investors, analysts and brokers have got the jitters Picture: AP

Brazil's volatile São Paulo stock exchange (Bovespa) has caught the Asian flu and some fear that continuing problems in the East – notably in Japan and South Korea – coupled with an expected economic slowdown in Brazil due to high interest rates, could induce a more serious illness.

Strong long-term economic fundamentals, a recent partial speeding up of the pace of economic and political reform and a firm commitment to pressing on with Brazil's massive $80bn privatisation programme, make the mid- to long-term outlook a more healthy one.

But for now, not a few investors, analysts and brokers have got the jitters.

Trading was suspended at least three times last month after the market fell by the permitted maximum 10 per cent in a day and the Ibovespa index of leading companies is now more than 30 per cent down on its July high.

Investors are worried that problems with the Japanese banking system and the South Korean economy will continue to have a direct negative impact on the main Brazilian stock market, which as a higher-risk, newly-emerging market with a substantial foreign investor presence, is more subject to nerves overseas and a flight to quality.

At home, the market is also finding reason to be pessimistic. Domestic interest rates of 35.4 per cent a year threaten to cut Brazil's economic growth to 1.5 per cent or less next year, hitting company profits and further rebounding on prices for equities.

The need to attract funds to cover the high current account deficit means the government may be trapped into keeping interest rates high for much longer than it would like.

Some Brazilians may also prefer to switch their money out of equities into fixed instruments to benefit from the high rates.

Mr Fernando Henrique Cardoso, the country's president, has reacted to the crisis over the past five weeks by staunchly defending the Real, introducing an austerity package of R$20bn in budget cuts and getting a big civil service reform package through the lower house of congress. But he reluctantly implies that events may be beyond his control.

"A lot will depend on Japan – whether it can reform its banking system – and whether Korea can reach a deal with the International Monetary Fund," he says, urging the US to take a more pro-active stance to stem the Asian contagion.

Few would deny that short-term investor confidence in a Brazil market where foreign involvement represents a substantial 30 per cent or so of daily turnover has been badly dented. When it reached its peak in July at 13,617, the Bovespa index was up 96 per cent up on its position of 6,956 on January 2. But by November 13 it had fallen to a low of 7,612, a fall of 42 per cent from its peak.

In October, foreign investors withdrew $1.29bn from Brazilian equity markets, according to the Brazilian securities commission and in November the amount is likely to have been substantially greater. In two days alone in the first week of November, $4.5bn left Brazil's capital markets for overseas.

Jouji Kawassaki, a partner at Lafis, the Latin American stockmarket analysts, is gloomy: "The worst could yet be to come. The market could easily fall another 10 per cent this year, though I still anticipate it will remain ahead of its January position.

"Returns on emerging market funds are eroding at a tremendous rate. When you see the Brazilian market fall 10 per cent in a day that leaves investors very nervous. US mutual fund investors are fleeing international emerging market stock funds."

Not everyone is so pessimistic about a market which is benefiting from one of the world's biggest privatisation programmes and is already home to 500 listed companies worth about $245bn.

Even at the height of the stock market turmoil last month, Mr Cardoso pushed on with his privatisation programme.

Within days of the collapse, the state of São Paulo sold CPFL, an electricity utility, for R$3bn, a premium of 70 per cent to the minimum price.

Average daily turnover on the market has risen from just $157m in 1993 to $394m last year and nearly $800m this year.

Bernardo Parnes, managing director of investment banking at Merrill Lynch in São Paulo, says: "The Brazil economy has not lost 30 per cent of its real value in 10 days. It is absurd. It is an over-reaction. Brazil is the world's eighth-largest economy. It is getting a flow of privatisation assets of around $20bn a year. In the next decade it is likely to spend around $250bn on infrastructure. It is approaching the same scale as China and is undergoing radical economic surgery and political reforms which are releasing tremendous unrealised value in dozens of companies."

In the past few weeks, Mr Cardoso has demonstrated his ability to react strongly to outside events and put his house in order.

"If you are a serious investor you just cannot afford not to be here," says Parnes.

A longer view may give substance to Mr Parnes' judgment. Every world carmaker has decided it must have a significant presence in Brazil regardless of current market conditions. A week may seem an awfully long time in the jittery Brazilian stock market. But on an annual basis the long-term trend, even since the turmoil erupted in Asia and fed through to world markets, still appears to be up.

In US dollar terms, the Ibovespa index of leading companies on the São Paulo stock exchange made a gain of 53 per cent last year and towards the end of November 1997 was still up about 30 per cent on the beginning of this year despite the extreme gyrations.

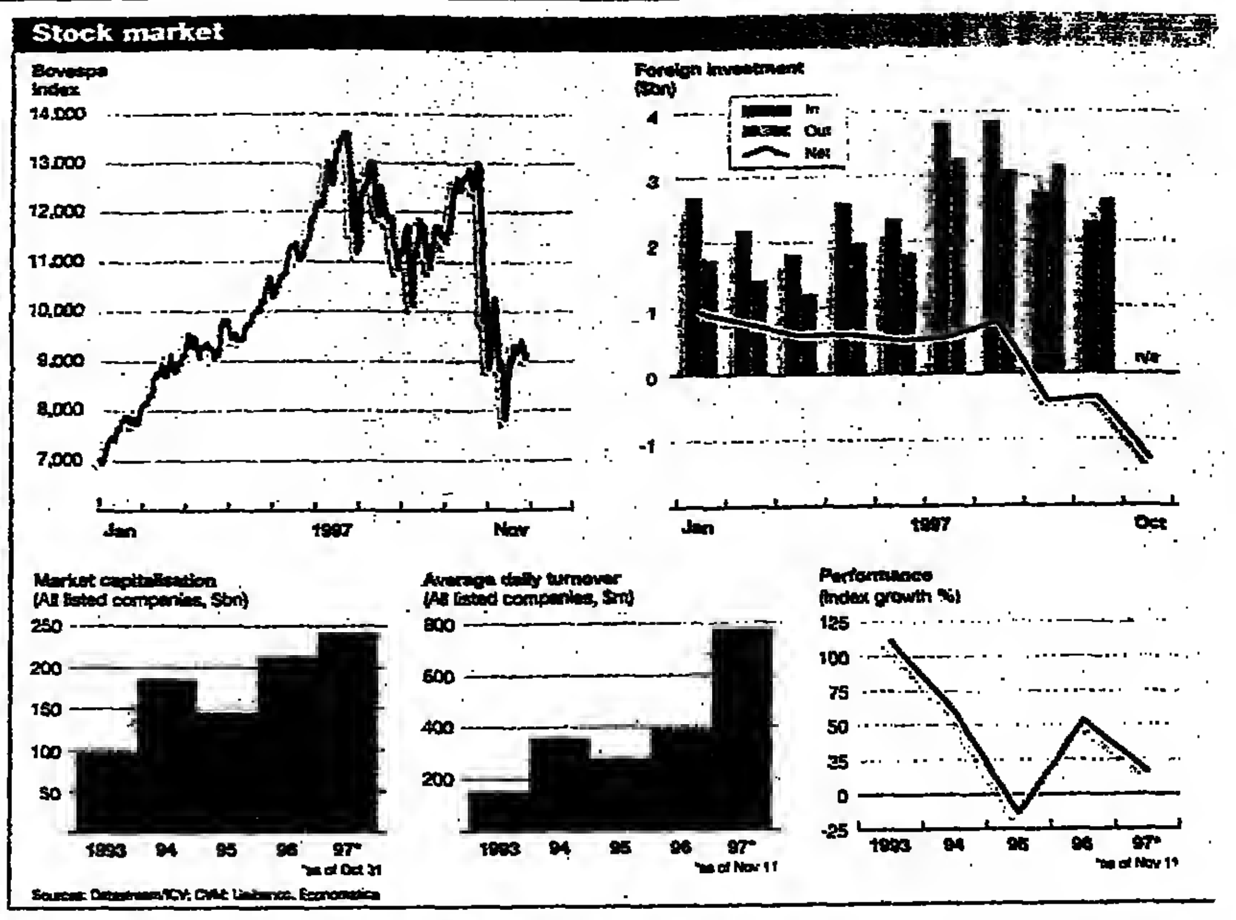
Allowing for the 7.5 per cent estimated depreciation in the Real against the dollar for the year and inflation of 6.5 per cent, that is still a real gain of 16 per cent. One of the factors which has exacerbated the market's volatility is its concentration in a tiny number of shares. Telebrás, the huge government communications company, and Electrobrás, the government electricity giant, account for 59 per cent of the market's capitalisation, with the top 10 stocks accounting for almost 80 per cent. Less than 10 new companies joined the market in 1997. This is likely to improve next year when Electrobrás is broken down into 13 operating companies and the telecoms and electricity sectors are privatised.

Another spur to market volatility has been that domestic investors, many of whom grew up in the high inflation, high interest era of the 1980s have tended to be rather short-termist, looking for big gains in a brief period, while the over-the-counter market is very small due to lack of disclosure and visibility.

In the next few months, such investors may switch to fixed-income instruments to benefit from the high interest rates. If pension reform goes ahead next year, this may be counteracted by a larger volume of investment taking a long-term view.

Another concern has been that the Real is substantially overvalued and that holdings on the stock market represent a serious currency risk.

Mr Cardoso has attempt to deal with these concerns by showing that he will go to almost any length to defend the country's currency, using an estimated $7bn of reserves and a sharp increase in rates to successfully see off speculators last month. Nevertheless, there is still a long way to go to the end of the year and investors on the Brazilian market remain extremely nervous. As one foreign investor put it: "Yes, it could be rocky in the short term. There is a downside risk. If there wasn't, Brazil would not be considered an emerging market. But then the potential for big profits is what is going to keep us in here."



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BOND MARKETS • by Edward Luce

Hardest hit in recent Asian crisis

The markets view Brazil as inherently volatile but have noted positive reforms

Brazil's treasury officials might be forgiven for having second thoughts about the international bond markets. After having been feted as a stellar emerging market performer over the previous 12 months, Brazil was almost overnight transformed into "the next domino" during the recent turmoil.

Although the Brazilian economy shares few of the characteristics of its beleaguered south-east Asian counterparts, the country's overseas bonds suffered more than most during the recent crisis.

Brazil's C bonds – the country's most liquid Brady bond instrument – and its 30-year global dollar bond were among the hardest hit by the turmoil with spreads widening by up to 200 basis points in one trading session alone.

Richard Gray, chief emerging market economist at the Bank of America in London, said that these two instruments were among the five worst affected emerging market bonds during the crisis.

The other three were the 30-year dollar bonds of Argentina and Mexico and Russia's "Prin" bonds.

"Brazil tends to underperform the market during a downturn and outperform it during an upturn," said Mr Gray. "The country is to a certain extent a victim of its own liquidity."

Bond analysts agree that Brazil had partly suffered through no fault of its own. Brazil's C-bond is by far the most liquid emerging market instrument and was therefore the most easy for traders to offload during the worst stages of the panic.

By the same token, however, the C-bond tends to be seen as a barometer of the market's recovery and is thus equally susceptible to a sudden upsurge in sentiment.

As such, the C-bond was one of the first emerging market bonds to benefit from the announcement of the International Monetary Fund's $20bn rescue package for South Korea on November 21.

Analysts, however, say that the country is also viewed as inherently volatile by the international bond markets. "Brazil has such huge potential that you [the investor] should be long of it," said Mr Gray. "But at the same time the risks are also huge so you ought to be short of it."

Bond markets have, however, taken note of positive reforms to the Brazilian economy including the $20bn fiscal reduction package announced by the government in November.

Although Brazil's bond prices were slow to react, the significance of the announcement was not lost on most observers.

"It [the package] strongly underlined the differences between Brazil and south-east Asia," said one trader. "The country is clearly able to take the painful economic decisions."

Whether Brazil is able to push through its intended reform package, bankers have little doubt that the country will bounce back into the primary international bond markets over the next few months.

Top of the list of expectations is a second Brady retirement plan.

Brazil's debut Brady swap programme last May was considered a roaring success in the global bond markets. Its $3bn debut 30-year global bond offering was sold out within hours of its launch – unprecedented for a sub-investment grade offering on that scale.

But the country still remains by far the largest Brady debtor with almost $50bn in outstanding paper. And analysts say the recent drop in the price of Brazil's C-bond, discount bond and Par bonds have heightened the attraction of making a second pitch at a Brady retirement operation.

The fact that the price of Brazil's most liquid Brady bond has fallen from about 85 per cent of its face value before the crisis to about 74 per cent in late November makes the case for another swap compellingly economic.

"The markets will be receptive to another round of Brady retirements once the cash-flows have come back," said one syndicate official at a US investment bank in New York.

In addition, Brazil has also won respect for its euro-tributary bond which was launched in a multi-currency format earlier this year.

Each tranche had an identical maturity and coupon in the hope that the issue would trade as one liquid bond after the respective currencies had been converted to the euro after monetary union in January 1999.

Brazil's reputation was also enhanced by a number of corporate issues in lira, D-Marks and US dollars over the past 18 months. Benchmark issues by companies such as Petrobras and Telebras were particularly well traded.

In the meantime, Eletrobras, Brazil's federal power utility, recently announced plans to come to the markets with a $6bn securitised bond offering in four tranches over the next two years.

The offering, which would be Latin America's largest corporate securitisation to date, would be linked to future income from the Itaipu hydro-electric damn on the Brazilian-Paraguay border.

Officials at the leading US credit rating agencies believe that asset-backed bonds will become an increasingly popular instrument of choice for Brazilian and other Latin American corporates.

"With the recent volatility, many Brazilian companies will see the benefits of issuing securitised deals," said an analyst at Duff & Phelps in Chicago.

"It enables sub-investment grade companies to achieve investment grade ratings and access to cheaper and less volatile financing than in the plain vanilla bond markets."

Whether this transpires or not, Brazil will be hoping that the plain vanilla bond markets will now settle down to a lengthy period of stability.

THE CAR INDUSTRY • by Richard Cowper

Confidence has been dented

Car sales fell by an estimated 40 per cent in the second half of November

A brass band is playing at the edge of an old jungle clearing, just a short flight away from the city of São Paulo, as a host of dignitaries gaze admiringly at a red mod site for a new $650m plant that Volkswagen hopes will underpin its position as Brazil'a leading car producer well into the next century.

But the outward appearance of bonhomie and faith in the future by the guests at the ground-breaking ceremony, just outside San Jośe dos Pinhais, hides a growing crisis in the country's car sector. Sales of cars in the world'a sixth-largest vehicle market fell by an estimated 40 per cent in the second half of November, compared to the same period in October, as continuing turmoil on world markets dented confidence in Brazil and raised fears of a sharp slowdown.

"The stock market is spoiling my party," says a senior VW director under hia breath on hearing that São Paulo's Bovespa market index is down 9.5 per cent on fresh worries over emerging markets.

In the main VW plant in San Bernardo, the working week has been cut from six or seven days to three as stockpiles of the best-selling 1,000cc VW Gol bave built up to awesome proportions.

Ford, another of the country'a leading car makers, closed three of its main plants for 16 days last month, idling production of its award-winning Ka. Ford is planning to review the position this week. General Motors has cut production at its Brazil plants by 25 per cent or more. Of the country's top four producers, only Fiat, buoyed by exports to Argentina, has avoided taking drastic measures.

Herbert Demel, president of VW's Brazil operations, admits that soaring interest rates (over 40 per cent per annum) introdnced by the government early last month – as a direct consequence of a series of sharp falls in the Brazilian stock market and the need to maintain foreign capital inflows to finance the current account deficit – are the main culprits.

"Some 70 per cent of Brazil car sales are dependent on providing customers with cheap credit. These high interest rates mean that a lot less people can afford to buy cars... if the market turmoil continues and rates stay high, some of the big manufacturing investments that have been announced may be scaled back," said Mr Demel.

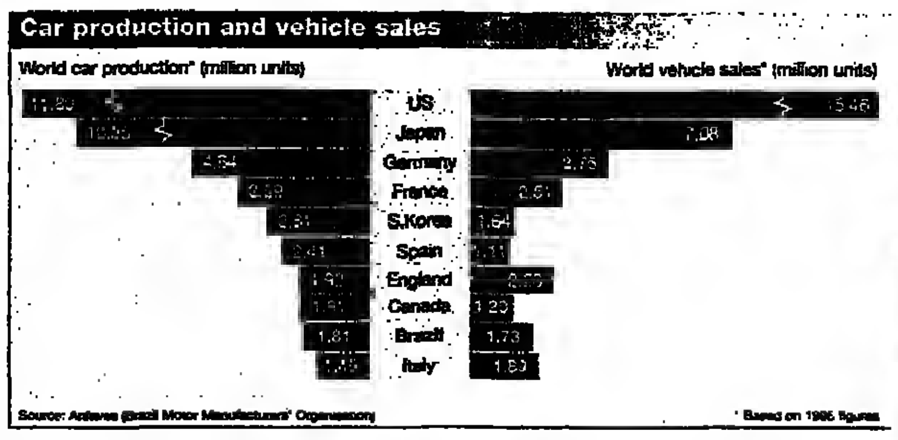
The VW chief refuses to be drawn on whether plans for the new San Jośe plant, initially aimed at prodncing 250,000 vehicles by 1999, will be slowed down. The present crisis was worsened by last month's govarnment decision to increase income tax by 10 per cent, boost petrol sales tax by 6.3 per cent and increase the sales tax on industrial products. But even before those moves, Mr Demel was warning of potential ovar-capacity in tbe industry if some $20bn in announced investment came on stream on schedule before tha year 2001.

Just over a month ago, Brazil's car sector was riding high on what appeared to be a boundless wave of prosperity and optimism. Tha world's aighth-largest vehicle producer was congratulating itself on what it expected it to be a record year for production, sales and investment. Outpnt in the first 10 months of the year rose to 1.8m vehicles, a healthy 18 per cent np on the same period in 1996, with an end-of-year total anticipated at close to 2.2m; more than double the 960,044 vehicles prodnced at the beginning of the decade.

Exports were up 30 per cent from 219,000 vehicles in the first nine months of last year to 285,000 in the same period of 1997, with the outcome for the whole year forecast at about 380,000 vehicles; double that of 1991. As recently as September, car analysts were predicting that Brazil would overtake the UK and Canada in vehicle production this year.

The auguries seemed excellent. Brazil has a population of 160m and a car ownership of just one vehicle among 10 people. An apparently rapidly growing economy was set on a noninflationary growth path. These factors, coupled with the opportunities of a wider market in the emerging four-nation Mercosur trade organisation which groups, Brazil, Argentina, Uruguay and Paraguay, lured tbe world's leading vehicle manufacturers into making a series of big investment pledges that put Brazil on the front line of the new world car market along with China.

Car production and vehicle sales



Source: Anfavea (Brazil Motor Manufacturers' Organisation)

* Based on 1996 figures

Among foreign car makers who have pledged new investment are:

- Volkswagen and Audi who held a ground-breaking ceremony in November for a $650m plant to prodnce the Audi A3, the new Golf and Passat. Production will come on stream in 1999, rising to a total of 250,000 units.
- Paugeot-Citroën announced in October it will build a $650m plant in Rio de Janeiro state to prodnce 70,000 cars.
- Ford announced in October it would build an $800m plant in the south of the country. This brings its pledged commitments over the next few years to more than $2bn. It has already started producing the Ka, its new star entrant on the world car scene, in Brazil.
- Honda became the first new car maker for 21 years in Brazil to produce vehicles when it inaugurated a $100m plant in October to eventually make 50,000 Civic Sedan vehicles in the south-eastern municipality of Sumare, 110km west of the city of São Paulo.
- Asian Motors beld a ground-breaking ceremony in August for a $500m plant in the north-eastern state of Bahia. The plant is expected to prodnce 60,000 units a year, more than half of them a light commercial vehicle, when it comes on stream in late 1999.
- General Motors announced in June it would build a $600m plant at Grazatai in Rio Grande do Sul state for a car believed to be a atripped-dowo Corsa. It bopes to tap the market for cars witb engines up to 1,000cc. Production is expected to start in 1999.
- Mercedes-Benz announced in July it is to set up a 70,000-unit capacity $400m plant in the state of Minas Gerais to build its A-class model sub-compact car. The plant is dne to come on stream in 1999.
- Renault annoonced last year it would build a $980m plant near Curitiba in Parana state, to build the Megane. Production capacity is expected to be 120,000 vehicles a year.
- Chrysler said in August 1996 that it would buüd a new assembly plant at a cost of $315m to produce tbe Dakota compact pick-up launcbed last year in the US. Production should start in 1998 with 12,000 vehicles a year, increasing to 40,000.

Other reasons why the car makers are quick to announce expansion plans include fears of being left out at a time of big tax breaks for setting up in Brazil; a desire to benefit from a still higbly protected market; and the fact that domestic producers can import a given volume of cars without paying tbe usual 70 per cent car import tariff.

If all these investments come on stream as planned, Brazil would produce 3m vehicles a year by 2001, catapulting it into fourth place behind the US, Japan and Germany. Brazil's vehicle output will reach a record of nearly 2.1m vebicles this year, but high interest rates and fears of an economic slowdown mean that in 1998 output could well drift significantly lower. It would be surprising if many vehicle manufacturers did not soon start to undertake a serious review of their investment plans.

São Paulo traffic jam: Brazil has a population of 160m and an average car ownership of one vehicle for every 10 people *Picture: AP*

That does not mean that in the longer term the prospects are not bright. As Mr Demel puts it: "Even we may have to live with over-capacity. So it is no point complaining. After all, Brazil is an emerging market and you have to expect higher risks for greater opportunities."

If only half the new plants are built, the country will be on the way to becoming a sizeable competitor in the world car industry and that is why no one wants to be left out.

AGRICULTURE • by Richard Cowper

El Niño could prove beneficial

The agricultural sector may find that it is an ill wind that blows nobody any good

In the volstile world of international commodity trade, one country's agricultural disaster can be another's golden opportunity.

Brazilian agronomists, traders and farmers are praying that the El Niño phenomenon will leave them largely unscathed so thay can benefit from higher worldwide prices and demand for Brazil's array of agricultural export crops.

El Niño (Spanish for Christ Child and so named because it tends to reach its height around Christmas) is a highly destructive meteorological event which occurs on average every five years and is caused by the abnormal warming of the eastern tropical Pacific which disrupts the region's weather pattern.

In the past four months it has brought a mix of typhoons, floods, fire and drought to different parts of the globe. And it is expected to curtail or disrupt output for the next six months from a number of Brazil's international competitors in commodities such as coffee, soya, cocoa, palm oil and sugar.

Forest fires may have covered the Amazonian capital of Manaus in a pall of smoke in the past few months, while a buge tropical downpour caused by El Niño washed sway part of Rio de Janeiro's famous yellow sand Copscabana beach in October. But so far Brazil's main agricultural export commodities seem to have been largely unaffected.

Copacabana: a tropical downpour caused by El Niño washed away part of Rio's famous beach *Picture: AP*

Contrary to popular fears, the three latest El Niño computer weather models suggest that Brazil's leading export and grain crops may escape lightly over the next few months – when El Niño's impact is forecast to reach its peak – compared to some countries in Asia, and Latin American neighbours such as Peru.

There are worries that a drought may strike the north-east to the detriment of one of the country's poorest farming regions, but this part of Brazil is responsible for just 4-5 per cent of agricultural output and the main export crops are located in the south, centre and east, where it is predicted that El Niño may even prove beneficial by evening out the rainfall pattern.

Among those who hope to benefit from the misery of some overseas competitors are the estimated 3m Brazilians dependent, directly or indirectly, on the country's coffee sector. Some forecasters believe Columbis, the world's second-largest coffee exporter after Brazil, may be hit by abnormslly dry weather over the next three months and this could rednce its prized Arabica crop.

Other central American coffee producers may also be affected while, on the other side of the globe, Indonesis – the world's third-largest producer – is being ravaged by drought and forest fires and its crop is expected to be 30 per cent down on last year.

World coffee prices – very high in the first half of this year because of a shortfall in eupply caused by earlier drought and frost in Brazil – were forecast to fall substantially later in the year, and next year, as the Brazilian crop recovered and entered the most productive year of its 24-month growing cycle.

Record Brazilian output of about 35m 60kg bags (2.1m tonnes) for the 1998-99 season is still being anticipated by most experts, up from 22m in the 1997-98 season. With world production outsids Brazil likely to be lower than expected because of El Niño, prices may remain firmer than some have predicted, to the great benefit of Brazil.

This year's poor Brazilian crop meant that on May 30 prices of expensive Arabica coffees reached s peak of $3.18 a pound in New York, the bighest price ever attained on a market not influsnced by extreme weather conditions such as frost or drought. But by the middle of November the price had drifted down to $1.52 a pound.

In the Brazilian business capital of São Paulo, Michael McDougall, director of international futures st Firmat, the US-Brazilian commodity brokers, said: "Prices are still on their way down. But because world stocks are low and there have been crop problems arising from El Niño in countries like Indonesia, I expect prices to find a floor in the range of $1.30 to $1.20."

World cocoa output is already estimated to be down 10 per cent due to El Niño and Brazil'e famous cocoa colonels stand to benefit from ebarply rising prices.

London-based international commodities trader ED & F Man says the existing world cocoa beans deficit could rise to well over 200,000 tonnes if the worst weather predictions in countries such as Indonesia are fulfilled. Cocoa prices have already soared to 10-year highs.

Producers of soya beans, Brazil's star agricultural export performer, are also hoping to make some gains on the disruptions caused by El Niño.

Palm oil prodnction in Malaysia could be hit by the drought in south-east Asia and elsewbere fish oil is expscted to be adversely effected. This may boost demand and prices for alternatives such as soya bean oil, as was the case in previous El Niño years.

The production and export of soya beans, meal and oil has been the fastest-growing sector in Brazilian agriculture. Soya bean output for the 1997-98 crop year is forecast to be 28.5m tonnes, up nearly 10 per cent on output of 26m tonnes in 1996.7. Exports reached a record 7.5m tonnes in 1996-97 to catapult Brazil into second place after the US.

However, the UN food and sgriculture organisation (FAO) has warned that "even a small reduction" in grain harvests could lead to "sharp price rises".

It is not only Brazilian soya bean and coffee barons who have broad smiles on their faces. The success of the country's agriculture exports sector in 1997 (world-beating sales of orange juice, raw sugar and chickens) may have helped to save President Henrique Cardoso'e fiscal position. Soaring industrial imports are expected to lead to a trade deficit of about $10bn and a current account deficit of more than $30bn in 1997.

Without the positive contribution of this year's estimated $6bn-$7bn agricultural trade surplus, the current account deficit may have become close to unsustainable, possibly leading to a currency crisis.

Export commodities are not the only area in which Brazil's agricultural sector has made strong gains over the past few years.

The sector, upon which about 30 per cent of Brazil's 160m population depends, is no longer crippled by debt or dependant on a constant stream of government credits. At its peak in the mid-1970s, annual government loans to the sector reached 110 per cent of agricultural gross domestic product.

Today, the sector is thriving on a eystem which largely finances next year's crops from retained earnings. Credits amount to just 8 per cent of agricultural GDP.

"When the government was forced to start the downward credits trend, farmers and agricultural economists said we would enter a deep, dark, hole," says Alexandre L Ahoz Mendonça de Barros, an agricultural economist at MB Associates, an economic consultancy based in São Paulo. "But what we did was improve productivity. Overall agricultural output is up an impressive 40 per cent over 1986."

Brazil's economy has gained a reputation among developing countries for its rapid transition from country to town and from agriculture to industry, but what the past few years have shown is that the country's rapidly modernising agricultural export sector, along with agricultural processing, may turn out to be the sector where in a global economy it reaps the greatest rewards from a position of greatest comparative advantage.

With a bit of extra help from El Niño, more Brazilian government economic planners may come to appreciate this home-grown phenomenon.

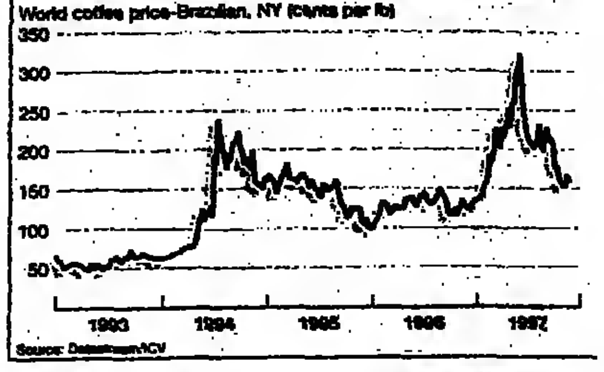
THE COFFEE INDUSTRY • by Richard Cowper

Statistics game has turned sour

Many believe the time is ripe to take the politics out of the coffee crop estimate

Coffee

World coffee price-Brazilian, NY (Cents per lb)



Source: Datastream/ICV

Brazilian coffee output

Million bags of 60kg

Crop year (1)	Output	Consumption	Exports	Stock sales (3)
1996-97	28.0	11.0	19.1	4.2
1997-98	22.0	11.5	13.5	5.0
1998-99 [illegible]	35.0	12.0	18.0	[illegible]

1 Crop year, July 1–June 30 2 Official government forecast except output and unofficial forecast 3 Government and private Source: Ministry of Trade and Industry, Nov 1997

The US Department of Agriculture used to be widely praised for its annual estimates of the Brazilian coffee crop – the world's largest, accounting for about 25 per cent of total production – but now it is accused of becoming involved in the "politicisation" of the global coffee industry's most vital economic indicator.

The normally polite and suave Mr Luiz M Havers, a well-known planter and president of the Brazilian Rural Society farmers' association, erupts on being asked about this year's USDA coffee estimate:

"The figure is mendacious. Imagine a forecast of 28m bags for a crop already harvested that it is now agreed could not be more than 24m bags and is probably closer to 22m."

The USDA would undoubtedly respond that its estimate for the 1997-98 crop was made without the services of its most experienced forecaster, Leon Yallouz, who after two decades in the business left to set up on his own last year.

It might also point out that exporter estimates of about 18m bags are liable to be equally distant from the final outcome which many believe is likely to be about 23m bags.

The suspicion among growers and Brazilian exporters is that the US, the world's largest importer of coffee, may have been tempted to err on the high side in the hope of keeping prices down. Western importers and roasters have been equally suspicious of producer estimates of about 18m bags which they say was simply a ploy to boost prices on the world market.

What some refer to as the Great Coffee Game is fought through the specialist financial and commodity press and at coffee conferences and seminars with the aid of a bevy of reports, a few of them little more than a gleam in a producer or market-maker's eye.

Many in the industry believe the time is now ripe to take the politics out of the Brazilian coffee crop estimate. Mr Francisco Ourique, general secretary of Febec, the Brazilian coffee exporters' federation, says:

"It is time for change. We have 18 surveys of the crop in existence today, with estimates regularly ranging by a factor of over 20 per cent. Exporters underestimate because they are looking for high prices. Importers overestimate for the opposite reason. Forecasts for 1998-99 vary from 28m to 40m bags. That is a range of 43 per cent. With no authoritative number, each is as valid as the other. It is chaos.

"Farmers, roasters, importers… no one can plan properly. We no longer want to be a first world country behaving in a Third World manner."

Brazil's newly-created coffee policy council, the CDCP – made up of 12 members, half from the government and half from the private sector – has this year provided the finance for Embrapa, a scientific organisation involved in agriculture, to set up the technical base for a more realistic crop estimate.

By financing a survey of the existing planted area and asking Embrapa to devise a crop model based on a combination of satellite technology and accurate sampling, the CDCP hopes to produce two accurate and credible crop forecasts a year starting next year. The aim is to have them accepted by the world industry by the year 2000.

Mr Michael McDougall, director of international futures at Fimat, the joint US-Brazilian commodity brokers, says he would welcome a more accurate figure. But the question of "stock sizes" may continue to be a political issue, he says.

Change is in the air, however. The CDCP has announced it is to regularly auction off a certain quantity of its ageing 12m bag coffee stockpile.

THE OIL INDUSTRY • by Raymond Colitt

Wind of change in strategic sector

Foreign companies are to acquire a stake in oil exploration and production

"The petroleum is ours" was the nationalistic slogan and prevailing attitude that gave rise in 1954 to the state petroleum company Petrobrás, which was to monopolise all but petroleum distribution and become the country's largest company. According to its own estimates it accounts for as much as 10 per cent of Brazil's GDP.

Yet even here, in the economy's most strategic sector, a wind of change is blowing, albeit not as forcefully as in other areas.

For the first time in the country's history, foreign companies will acquire a stake in oil exploration and production.

The reasons for opening of the oil sector are clear. Only 55 per cent of the economy's demand for oil is met by domestic production, currently at 1m barrels a day (b/d). Oil imports have caused annual trade deficits of between $6bn and $11bn in recent years.

Joel Mendes Rennó, president of Petrobrás, admits the company initially dragged its feet in response to government pressure to abolish its monopoly but insists that opposition has now been overcome.

"Petrobrás could maintain its monopoly for another 30 or 40 years but the government decided to open the sector to private investment, and we realise the benefits this will bring." Foreign capital and technology, he says, will help improve the company's competitiveness and output.

Petrobrás hopes to boost its production to about 1.5m b/d by the year 2000, thus covering an estimated 80 per cent of the country's oil needs. Energy demand is expected to grow by 5-6 per cent annually.

The company will invest an average of $4.4bn annually through the year 2000, 70 per cent of which is earmarked for exploration and production.

Petrobrás is to generate half of the total investment, and finance the rest with new debt. The government, says Mr Rennó, will reduce its share of working capital in Petrobrás from currently 82 per cent to just over 50 per cent by selling shares. Petrobrás already has 200,000 shareholders. Yet Mr Rennó ruled out the possibility of privatisation.

A recent cut in the 1998 investment plan by approximately $900m as part of the package of fiscal austerity measures announced by the government in mid-November has redoubled the urgency with which Petrobrás will have to turn to foreign capital to meet its production target.

Backed by a 1995 constitutional reform and an August 1997 deregulatory petroleum law, Petrobrás is negotiating joint ventures with as many as 70 interested companies to develop some of its oil fields, many off-shore.

"We're open to all kinds of offers," says Mr Rennó, who expects the first contracts to be signed by mid-next year and to bring foreign investment of $3bn to $3.5bn by 2000.

In a second stage, the National Petroleum Agency, the regulator called for by the August legislation and scheduled to begin operations in December, is to put up for tender oil exploration and production licenses, for which Petrobrás would compete among other companies.

Although Brazil's crude oil reserves of 11.6bn barrels do not compare with Mexico's or Venezuela's, some of the blocks up for tender are as much as 300 times larger than those in the Gulf of Mexico, according to companies participating in the bid.

"There is still a lot to be discovered," says Paulo Kastrup, vice-president at Texaco Brazil, one of the companies currently in talks with Petrobrás.

In an attempt to create market conditions for future competition, the August petroleum law calls for the elimination over three years of a system of cross-subsidies that sought to limit inflationary pressure and shield consumers from sudden upward price fluctuations of imported oil.

Petrobrás subsidised the price of oil at the refinery level approximately $4 below market level. The most subsidised products have been diesel and automotive alcohol, an alternative, though costly, fuel intended to reduce dependency on imported oil by producing alcohol from sugar cane.

Subsidies produced a government debt with Petrobrás that totals $6.5bn. According to the August legislation, the government is to pay off this debt but given its precarious fiscal situation, many analysts consider as much as a 50 per cent write-off possible.

Potential Petrobrás partners are now waiting for the small print to determine economic feasibility. Some companies consider the tax burden on capital investment to be heavily front-end loaded and call for a more profit-oriented taxation scheme. They hope to obtain tax and tariff exemptions similar to those currently enjoyed by Petrobrás.

Although companies are likely to be able to freely export their share of oil production it is not clear whether there may be restrictions on the convertibility of the sales proceeds.

David Pirret, president of Shell Brazil, believes the government will realise that such restrictions do not promote foreign investment. "There's a good dialogue and we have a common objective here – that is to get the oil out as fast as possible."

Another part of Brazil's strategy to wean itself from costly oil imports is to increase natural gas consumption from the present 2.5 per cent to 12 per cent of the country's total energy consumption within a decade.

Half of that supply is to be imported. A pipeline is under construction to transport gas from Bolivia and another could be built from Argentina. Petrobrás has a 34 per cent stake in a joint venture to produce 815m tonnes a year of liquefied gas in Argentina with YPF (38 per cent) and Dow Chemical (28 per cent).

Petrobrás has a world-renowned expertise in deep-sea operations and is considered to have qualified managers. It is, however, less efficient than most companies in the industry. Its sales per employee are merely $387,000, compared to between $771,000 and $1.6m for those of its rivals. In 1996, the company registered net income of $351m on sales of $16.8bn.

"The main risk associated with Petrobrás concerns the state-appointed management," says the Rio de Janeiro-based investment firm Bozano, Simonsen in a report.

"While the technical capacity of the company is unquestioned, its corporate culture seems unsuited to the competitive environment of the private sector."

Márcia Alencar Garcez, an analyst with Bozano, Simonsen, says: "The opening of the oil sector is unlikely to be held up," but with a number of issues yet to be resolved, "it could well be delayed."

THE ENVIRONMENT • by Raymond Colitt

Visible and odorous problems

São Paulo and Rio both face enormous environmental difficulties

While international attention has focused on Brazil's environmental problems in the Amazon, the world's largest rain forest, most Brazilians are more worried about urban ecology. More than 75 per cent of the country's 160m people live in urban centres.

The waste water of Rio de Janeiro's millions of inhabitants is still pumped into the ocean untreated. At the famous Copacabana and Ipanema beaches an under-water pipe carries raw sewage out into the open sea unnoticed by bathing tourists. Elsewhere along the coast line, the problem is more visible – and odorous.

More importantly, contaminated drinking water, partly the result of leaking sewage pipes, causes 70 per cent of child deaths, says Alfredo Sirkis, former environmental secretary in Rio de Janeiro, who now heads a local environmental advocacy group. A project financed by the Inter-American Development bank is to provide for partial water treatment in part of the city, he adds.

In São Paulo, one of the largest cities in the world, solid waste disposal, water treatment, and air pollution also represent colossal environmental problems.

According to Greenpeace in São Paulo, each of the city's 18m inhabitants produces 1kg of rubbish every day, much of it landing in road-side dumps instead of the city's landfills. "There is no solution in sight for the solid waste management problem," says Roberto Kishinami, executive director of Greenpeace in Brazil.

Combating air pollution in the city has been only partially successful. Lead and sulphur content in the air has fallen dramatically from dangerously high levels in 1980, largely as a result of improved automotive fuel. Yet critical levels of carbon monoxide persist and the state government has introduced traffic restrictions.

Since 1995, vehicles have been periodically banned from the streets once a week, according to the last digit of their licence plate number. In 1997, the programme was applied for a total of 14 weeks.

Alfred Szwarc, technical adviser at the São Paulo state government's environmental department, says: "We reduced carbon monoxide emissions by 20 per cent during the traffic restrictions." He admits the restrictions "are by nature inconvenient. Environmental solutions cannot only be technological; you have to change people's behaviour as well."

Enticed by its fiscal as well as environmental benefits, the city of São Paulo subsequently began implementing its own restrictions. First-time offenders are charged R$100; repeated offenders R$200.

Yet Antonio Fernando Pinheiro, an environmental lawyer, says: "It's all a farce; it is an attempt to cover up the lack of the government's environmental efforts." A periodic check of car exhaust emissions levels would be much more effective than restricting personal rights, especially when there is only inadequate public transportation, he says.

Rio de Janeiro: many urban environmental problems are the result of population pressures and inadequate planning, but industries continue to be responsible for serious air, soil and water pollution

Mr Pinheiro and other analysts contend there has been a decline in the government's environmental efforts since the 1980s. Mr Sirkis points to the shrivelling federal funds allocated to the environment, and to the political rather than technical interests of top-level environmental officials. After subtracting the funds that go to cover personnel costs and irrigation projects, he says, $70m-$80m is left to invest in environmental projects.

"We need to increase regulation and inspection," admits Eduardo Martins, head of the federal environment institute (Ibama). But he says that with the current resources, "it is impossible for us to implement our management plan."

City governments, by comparison, are better funded and more effective in adopting and implementing environmental protection norms, argues Mr Sirkis, citing as an example a recent reforestation project in Rio. Reforesting 600 acres halted erosion and subsequent landslides and employed 600 slum-dwellers, those most affected by the environmental deterioration.

Many urban environmental problems are, indeed, the result of population pressures and inadequate planning, he says, but industries continue to be responsible for serious air, soil, and water pollution.

"Ecological awareness increased in the business community after the Rio Environmental Summit in 1992," says Mr Sirkis, "yet companies are still unlikely to invest in environmental protection unless they have to."

"Environmentally safe" refrigerators manufactured by foreign companies in Brazil, while no longer using the ozone-depleting gas CFC, are not using the latest available, "eco-friendly" technology as they are in Europe or the US, says Mr Kishinami. And paper pulp exporters use bleach-free technology only for those markets where it is required, he adds.

"As long as regulations are lax and enforcement is inadequate, there will be companies trying to get out of environmental responsibility," says Joel Korn, president of the American Chamber of Commerce in Rio. Yet he rejects the claim that foreign companies relocate to Brazil to escape environmental curbs, arguing that often they take the lead in establishing industry-wide environmental norms.

But far from the public limelight, in Brazil's remote rain forests, many businesses, domestic and foreign, continue to escape public scrutiny and wreak environmental havoc.

Mr Roberto Smeraldi with the Amazon programme of Friends of the Earth tells of numerous logging companies, particularly from Asia, that shore up undercapitalised land owners in the Amazon region so they can obtain rights to large tracts of tropical woods, which are harvested without reforesting. Such companies typically bribe officials to have generic environmental impact studies rubber-stamped, he says.

"We have made conceptual progress but that has translated into very little concrete improvement," he says. In the end, urban and rain forest environmental problems are very much linked, says Mr Smeraldi, "but we often fail to see that link."

Economic plan faces stern test

Continued from Page 1

reasons over the past two years but the social scars which have prompted so much criticism in the past have not disappeared. Income distribution has improved, but is still one of the most unequal in the world and crime levels are among the worst.

Although the tax rate is high, the quality of services provided by the state is low. Those Brazilians who can afford private health care avoid public hospitals like the plague.

The poorly-paid police service is regularly accused of violence against citizens. Prisons are often a disgrace.

When a briefing document prepared by the US embassy in Brasilia described the public sector as suffering from "endemic" corruption, the comments created a political storm in Brasília. However, few ordinary Brazilians demurred, too much.

The high levels of social exclusion and the sclerotic public bureaucracy that is the reality for millions of Brazilians provide a caricature of the worst aspects of American capitalism combined with the defects of Italian corporatism.

Many of these failings are symbolised in the education system. Education is central to Brazil's future for both humanitarian and economic reasons.

As Mr Cardoso said: "Education is the best way of improving the distribution of income."

Increasing the quality of Brazil's workforce is also vital to unlocking the country's economic potential.

Yet although the current government has made considerable improvements, the record is still poor. The average time spent in school is well below other Latin American countries, let alone developing nations in East Asia.

The illiteracy level is 20 per cent and nearly 3m children under 14 years do not attend school.

"We are a poorly educated country and we are doing little educating now, which means we will be poorly educated in the future," said Jose Scheinkman, professor of economics at the University of Chicago.

The education system also provides an exaggerated example of the tendency for the state to favour the middle class over the poor. The proportion of GDP spent on education is comparable to European countries, yet while basic primary education is weak, the children of many wealthy families receive excellent tuition at free public universities.

All these issues would be affected by a return to economic instability. Brazil's foreign policy ambitions would be impaired and attention distracted from social reform. In fact, the impact would be felt strongly throughout the Latin American economy.

There is, therefore, a lot at stake over Brazil's short-term economic performance.

It will be a difficult year, though. The government hopes that the expected slow-down will limit the economy's vulnerability by reducing the current account deficit. Forecasts for the 1998 external financing requirement (current account deficit plus debt maturities) have fallen from over $60bn to about $40bn.

However, the economy faces a number of threats. The government's austere economic posture will be complicated by the political demands of an election year. And if there is a new wave of the Asian crisis or a large Wall Street correction, it will come just as the pain from measures taken to deal with the previous crisis is being felt.

Moreover, if investors begin to suspect that the government might opt for a devaluation once the election is safely out of the way, speculators could try and force the issue beforehand.

All these dangers suggest that the government cannot afford to loosen its grip, even if the market turmoil appears to have died down. Pressure has to be kept on Congress to approve the fiscal reforms and to demonstrate that the political will exists to address the economy's fundamental problems.

Only by slashing the public sector deficit, will private sector savings begin to grow. And until Brazil can reduce its heavy need for foreign savings to finance growth, it will continue to be whip-lashed during bouts of market volatility, even if they start on the other side of the world while Brazil is asleep.

TOURISM • by Jonathan Wheatley

Failing to fulfil its potential

A lack of domestic charter flights is just one of the problems

If tourists were attracted by natural and man-made wonders alone, Brazil would rank highly among the world's most popular holiday destinations.

Its entire 5,000-mile Atlantic coast is strewn with spectacular beaches, most of them fringed with coconut palms or backed by jungle-covered mountains. In the Amazon river basin and the Pantanal – a vast wetland region in the west – it has two of the world's greatest ecological reserves.

The country is dotted with colonial cities rich in crumbling baroque architecture, much of it now being restored. The cuisine is satisfyingly exotic. The people are friendly and hospitable. Their music is an enduring force in global culture and at carnival time the whola country – and especially the cities of Rio de Janeiro, Salvador and Recife – shows the world how to throw a party.

Carnivals aside, however, the sight of a foreign tourist is still enough to turn heads in most parts of Brazil. Reliable figures are hard to come by, but Mario Beni, a consultant and professor of tourism at São Paulo University, reckons the industry generated earnings of just $12bn last year – of which two-thirds came from local tourists – or about 2.5 per cent of gross domestic product. This compares with a worldwide average of about 10 per cent.

There are various reasons why the industry has not fulfilled its potential. Mr Beni says South America as a whole has suffered from a failure to carve out its place in the international aviation market and break the hegemony of a small number of airlines operating high-volume routes in Europe and the US.

But domestic factors, many of them common to the rest of South America, have also held Brazil back.

One is a lack of charter flights. Brazil's Civil Aviation Department, the DAC (which, despite its name, is controlled by the air force ministry), has little interest in promoting efficiency. High airport charges and unhelpful regulations have limited charter business in Brazil to less than 5 per cent of total air traffic, compared with between 45 and 50 per cent in Europe and the US.

The cost of domestic air travel comes as a shock to many visitors and puts it beyond the reach of most Brazilians and many foreign tourists. Airlines argue that they have to pay higher operating coats than in many countries, including inflated airport and fuel costs, high interest rates and high employment costs.

But there is a definite reluctance in the industry to compete on price, airlines sniff at the idea, preferring to focus on quality of service, which is undeniably of a high standard.

Another problem lies in the hotel industry. In the US and Europe, two-thirds of hotel beds are in the one- to three-star categories, and one third in the four- and five-star categories. In Brazil, this situation is reversed. The average overnight rate is $180, compared with about $100 in the US and $110 in Europe.

But while the quality of hotel infrastructure is so high as to limit the capacity for medium and low-cost travel, the quality of service is low. Too often, says Mr Beni, tourists arriving after a long transatlantic flight will be kept waiting in a hotel lobby for three or four hours while their rooms are prepared. While hotel staff are almost invariably friendly and eager to please, their shortcomings can infuriate foreign visitors.

Tania Baceler, an economist at the University of Recife, says this is a cultural problem. "Quality of service isn't part of the Brazilian business mentality," she says. "Developers will put all their capital into high quality buildings, then hire low-paid staff and forget to train them."

Other problems include a lack of basic infrastructure, such as sanitation and water supply, outside – and sometimes within – big urban centres. This means Brazil is still rich in the remote places that attract the hardy and adventurous, but cannot compete for mid-range tourists demanding a certain level of comfort.

The average overnight hotel rate is $180, compared with about $100 in the US and $110 in Europe *Picture: Veronica Garbett*

Comparing Brazil's north-east with the Caribbean – two areas with beautiful beaches and lots of sunshine – gives an indication of Brazil's lost potential. While the whole of Brazil attracted about 1.8m foreign tourists last year, the Caribbean pulled in about 19m, earning the region some $23bn.

Some efforts are being made to catch up. The government is putting its weight behind a programme, called Prodetur, to improve the north-east's basic infrastructure and open the way for an expansion of private enterprise.

The programme involves investments of $800m, half funded by the federal Banco do Nordeste and the Inter-American Development Bank, and half by the nine state governments in the region. Its projects include expansion of airports, building and improving roads to beach areas, sanitation, conservation and training.

Work has begun on the kind of resort complexes that have given the Caribbean such a lead. Just north of Recife is the Guadalupe project, a vast area of unspoilt beaches and coconut groves where roads and sanitation are being constructed to cater for the hotels expected to follow.

In Bahia, Odebrecht, an industrial group with interests in construction, petrochemicals and forestry, is building the Sauipe project, which it plans to develop over 20 years into a tourist complex with capacity for 160,000 visitors. The company is putting particular emphasis on training.

Perhaps more significant are nationwide efforts by Embratur, the government tourism agency, to encourage more initiatives at municipal level to improve facilities and standards of service.

AIRLINES • by Arkady Ostrovsky

Competition is intensifying

So far, however, the airlines have been competing on service, rather than on prices

A Boeing 747 displaying the logos of six airlines pulled up in front of Rio's international airport and the six airline chairmen arrived for a ceremony to mark the entry of Varig, Brazil'a main airline, into the Star Alliance.

The Alliance is the world's most powerful air club, which inclndes Lufthansa, United Airlines, SAS, Air Canada and Thai Airways, and the ceremony coincided with Varig's 70th anniversary and an attempt by Fernando Pinto, its president, to set his debt-ridden airline on a new trajectory.

Until recently, Varig had an untroubled dominant position in Brazilian aviation. But as the industry heads towards deregulation, Varig is beginning to feel the heat of competition in both the domestic and international markets. The number of domastic carriers has risen from three to 19 in the past eight years.

Altbough the aviation industry in Brazil is still formally regulated by the government, the regulations are loose and offer airlines considerable freedoms.

Domestic carriers whicb until 1992 were constrained to their region of the country are allowed to operate nationally, and although the Civil Aviation Department (DAC) fixes price bands, airlines are free to discount.

So far, bowever, the airlines have managed to avoid price wars and have been competing mainly on service, rather than on price. "It is still more expensive to fly from Rio to the north of Brazil than to fly from Rio to Miami," says Eduardo de la Pena, an analyst at Bozano Simonsen, a Rio de Janeiro investment bank. James Bruce, an aviation analyst in São Paulo, says domestic air travel in Brazil can be twice as expensive as in the US on similar distances.

This is because flying in Brazil is still an exclusive means of travel rather than a mass market and about 70 per cent of all air travel in Brazil is done on business.

In October, Varig announced a 40 per cent discount on all domestic flights. "A new class of travellers is entering the market. These are people who have travelled by bus or by train. We are trying to target this new market which could add 13m passengers to our present volumes," says Mr Pinto.

Varig is still the largest airline in Brazil with 49 per cent of the domestic market. It is followed by Transbrasil with 22 per cent and VASP with 17 per cent. Varig claims people still treat it as a national flag carrier. "If Varig is doing well, people are really proud and happy, but if something goes wrong, they take it very personally and get upset," says Nelson de Sampaio Bastos, a Varig director.

Until recently, Brazilians have had good reason to be upset. The airline, which is 90 per cent owned by its employees, has been losing money since 1990 and is unlikely to maka a profit this year. With a turnover of $3.15bn, the airline has liabilities of $2.14bn – of which $800m is working capital debt. Half of the company's $500m operational profit is consumed by servicing this debt.

Bot the recent appointment of Mr Pinto as president raised hopes for the recovery of Varig. Before moving to Varig, Mr Pinto was head of the Rio Sul regional airline, one of Varig's most profitable subsidiaries.

"I am trying to change the mind-set of the company and explain to our employees that we can't survive unless we change," Mr Pinto says. In order to reduced its debt, Varig is selling most of its non-core assets.

The company has already sold its catering business and over the next year it will spin off a chain of botels, a luggage handling service and an engine workshop. This, Mr Pinto hopes, will raise $400m and halve the working capital debt.

As part of its cost-saving programme, Varig, which employs 18,000 people, will cut 1,200 jobs by the end of the year, making a cost saving of $140m.

Varig also hopes that joining Star Alliance will lift its sales abroad. It is also a question of image. "Being associated with such companies as Lnftbansa and United Airlines will certainly improve Varig's image," says Mr de la Pena. But it will take more than a strong image for Varig to compete on the domestic market with such powerful airlines as TAM, VASP and Transbrasil. VASP and TAM have aggressive expansion policies. Last year, TAM took over LAPSA, the 35 year-old flag carrier of Paraguay, while VASP now ownes airlines in Bolivia, Ecuador and Argentina.

TAM: an industry leader with an impressive financial record despite its small size *Picture: AP*

TAM, a group of Latin American airlines built up from an air taxi business by Rolim Amaro, its founder and majority shareboider, has a code-sbaring agreement with American Airlines, which will start operating next year. Transbrasil has a similar arrangement with Delta. In spite of TAM's relatively small size – it has 4 per cent of the domestic market – it has been hailed as an industry leader and its sbares are in demand. Unlike Varig, TAM has lifted its profits, from $44m in 1995 to $57m in 1996. This year, profits are expected to rise to $70m. The group operates in 90 cities in Latin America and carried 3.8m passengers in 1996. It estimates the passenger volume will reach 5m this year. The $580m turnover in 1996 is expected to reach $650m in the current year.

But TAM's impressive financial record has been oversbadowed by several accidents. The most serious was when a TAM Fokker F-100 airliner crashed into a residential area of São Paulo last year, killing all 96 passengers and crew.

Most of TAM'a customers are business people, wbo value good service and convenient scheduling above the price of air tickets. TAM concentrates on morning and evening flights between business centres and charges premium prices for enabling business people to get back home in the evening.

As part of its service enhancement programme, TAM has recently invested in Impact, an ultra-modern information technology system which reduces the time spent on checking in each passenger from 58 seconds to 11 seconds. The time needed to check in all passengers for a Fokker F-100 has been cut from more than one hour to 13 minutes. The system is part of a project which cost the company $21m.

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INSIDE

Paribas expects value in buy-out

There was little surprise in the decision by Paribas, the French banking group, to launch a FFr25.2bn ($4.3bn) buy-out of the minorities in two of its most profitable subsidiaries – Cetelem and Compagnie Bancaire. Rather, many observers wondered why Paribas had not acted more quickly. André Lévy-Lang (above), group chairman, estimates the move should generate FFr1bn of synergies by 1999. Page 18

Reichmann returns to finish the job
Paul Reichmann, the Canadian property developer who backed the £4bn ($6.7bn) Canary Wharf project in London's docklands, is back to finish the job. His development company this week announced plans to build the remaining two-thirds of the project. Page 22

JCI turns its back on gold mining
After a year-long flirtation with bullion, Mzi Khumalo, chairman of JCI, South Africa's first black-controlled mining group, has opted to sell the bulk of the company's gold assets and transform it into a diversified miner. Page 21

Volatility hits Hungarian stock market
The Hungarian stock market has been particularly volatile in the past month. Budapest's ruling BUX index was by far the best performer to eastern Europe in the first eight months of the year, rising by 105 per cent. But in recent weeks it has recorded separate one-day falls of more than 12 and 16 per cent. Page 36

Companies in this issue

Market Statistics http://www.FT.com

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Eurobike	35	+	3
Herlitz	179	+	29
Marz. Kliniken	21	+	3.5
Falls			
Kolbenschmidt	22.8	–	1
Moksel	14	–	0.5
VBH Hldgs	23	–	3
NEW YORK ($)			
Rises			
Disco	35¼	+	4½
Panamerica Bev	35½	+	1⅞
SBC Comms	73¼	+	3⅞
Falls			
Great A&P	29⅞	–	5¾
Norrell	23½	–	1¼
OEA	29⅞	–	5⅛
LONDON (Pence)			
Rises			
BSkyB	441½	+	13½
DBS Mngmnt	170	+	13
Vardon	118	+	10
Zeneca	1827	+	39
Falls			
Abacus Polar	156	–	22½
BP	808	–	38½
Ionica	115	–	6
TORONTO (C$)			
Rises			
Jewett-Cmrn	7.00	+	1.15
Melston Rs	10.50	+	1.50
Solid State	3.36	+	0.41
Falls			
Franco-Nvda	24.50	–	3.00
Gotchell Gld	35.10	–	4.20
Tarragon O&G	11.75	–	2.00

PARIS (FFr)			
Rises			
Arjomari-Prx	1650	+	183
Georex	15	+	2
Groupe Partis	1338	+	180
Falls			
Calciphos	91.2	–	33
Fromag Pt-Rnrd	1350	–	700
Petitjean	181	–	19.5
TOKYO (Yen)			
Rises			
Banyu Pharm	1650	+	120
Gen Sekiyu	656	+	36
Koyo Seiko	705	+	50
Falls			
Anica	101	–	37
Tosboku	70	–	29
Toyo Tst & Bkg	705	–	100
HONG KONG (HK$)			
Rises			
Amoy Props	6.75	+	0.20
Cathay Pac	7	+	0.15
Great Eagle	12	+	0.45
HK & China Gs	13.95	+	0.55
Falls			
China Mtr	71	–	0.50
Vanlronix	13.10	–	0.20
BANGKOK (Baht)			
Rises			
Asian Marine	18.00	+	1.50
Sahg Union	19.50	+	1.75
Textile Pstg	24.75	+	2.25
Falls			
Asia Credit	22.75	–	2.50
Regional Cnt	50.50	–	5.50
United Motor	38.00	–	4.00

New York & Toronto prices at 12.30.

Big Two partners 'back merger'

PW and Coopers predict big Yes vote

By Jim Kelly, Accountancy Correspondent

Partners at Price Waterhouse and Coopers & Lybrand are thought to have approved their planned merger by a comfortable majority.

The results of the secret global ballots, which closed last night, will be published early next week, but early indications are that there has been widespread approval. The merger would create the world's biggest professional services firm.

The plan, to create a firm with 135,000 staff, 8,500 partners and annual revenue in excess of $13bn, needs the approval both of the partners in each constituent national firm and of the competition authorities in the US, Europe and Japan.

Senior executives in London were yesterday preparing to make a formal submission to the European Commission, an indication that they expect partner approval with a comfortable majority.

It is understood that partners at Coopers' German firm have voted 95 per cent in favour of merger, despite worries about global strategy. In the UK, early voting produced just one vote against in the first 150 cast.

In the US, Nick Moore, international chairman of Coopers & Lybrand, was last night preparing to tell partners the result of the national vote.

A joint announcement with PW is expected next week.

Each national firm has voted according to its own constitution, and some are thought to have gone against the broad trend. It is believed that one may have voted down the merger in eastern Europe, as well as one in Central America and one in South America.

The failure of all the constituent firms to give approval opens up the possibility that some will spin off to join the global networks of other international Big Six accountancy firms.

But senior executives are confident they will now be able to move ahead with gaining regulatory approval for the mergers, although they recognise there are concerns, particularly in Europe.

The European Commission will consider a formal merger submission for 30 days before deciding whether a fuller inquiry is needed. Both firms expect it to make a final decision in the spring.

PW and Coopers will use the partner vote to try to distance their merger from that planned by Ernst & Young and KPMG, other Big Six firms. They will point to what they see as a lack of progress on the other merger and suggest it is merely a "spoiler" designed to derail their own deal.

The leaders of PW and Coopers in the UK sought to answer regulators' worries about their merger by saying they needed to combine resources to compete with the rest of the Big Six.

"To continue to supply the assurance services demanded by business, regulators and the capital markets, we need to take action now to ensure that we have critical mass in the next century," they said in a statement.

Citibank aims for majority in First Bangkok

By Ted Bardacke in Bangkok

Citibank, the US commercial bank, has reached a preliminary agreement to buy a majority stake in First Bangkok Bank, Thailand's seventh largest, with assets of some $7bn.

If the deal goes through it will be the first outright takeover of a Thai bank by a foreign bank.

Under the terms of a memorandum of understanding, Citibank has 90 days to complete due diligence, after which the price to be paid will be determined. Talks on price could be complex because of the uncertainty about First Bangkok's assets. While First Bangkok claims it has a book value of about Bt27 per share, broker Jardine Fleming estimates that, after non-performing loans peak and are written off, the bank's book value amounts to a negative Bt1 per share.

Separately, another struggling Thai bank, Bangkok Metropolitan, yesterday held discussions with a group of five Taiwanese banks about injecting up to Bt15bn ($375m). After a meeting arranged by the Taiwanese cabinet's Council for Economic Planning and Development, Taiwanese bankers said they were worried about Bangkok Metropolitan's financial situation and would take et least until the end of the year to make a decision.

China Development Corp, one of the banks involved in the negotiations, said it would prefer to take a minority stake in Bangkok Bank, Thailand's largest and healthiest commercial bank. Bangkok Bank officials said they had no immediate plans for a capital increase but would be happy to discuss any deal with foreign investors.

Thai authorities, struggling to get the country's shaky financial institutions to recapitalise, recently allowed foreigners to own majority stakes. So far foreign institutions have taken only minority stakes in Thai banks.

Last month ING Bank of the Netherlands agreed to buy 10 per cent of Siam City Bank. Other small Thai banks, including Bank of Asia, are also known to be talking to foreign partners.

Eurotunnel agrees deal with banks on $14.3bn restructure

By Charles Batchelor in London and Andrew Jack in Paris

Eurotunnel yesterday reached agreement with its 174-strong banking syndicate to approve an £8.5bn ($14.3bn) financial restructuring plan after more than two years of negotiations.

The one outstanding element to be agreed is a deal with the French and UK governments over a 34-year extension of the Channel tunnel operator's concession to 99 years.

Robert Malpas, Eurotunnel co-chairman, said he was confident that final agreement on the concession would be reached before Christmas, following an offer from the company to promote freight traffic through the tunnel.

The company was keen to emphasise that its financial difficulties were now behind it but there have been two previous restructurings which were also billed as "final".

Eurotunnel's creditor banks approved tha restructuring agreement well ahead of the schedule that many of those involved in the talks had expected.

Patrick Ponsolle, Eurotunnel executive chairman, said: "If shareholders are to gain the full benefit of the restructuring, the British and French governments should now make a final decision on the conditions by which the concession will be extended."

Eurotunnel has not given way to government demands for reductions in basic freight charges but it has put forward a package to encourage freight shipments to Germany, including a concession on charges, and has also said it will make tunnel capacity availabla to new freight operators. Tha deal also includes the governments taking a share in Eurotunnel's profits after 2052.

The concession extension has great symbolic importance for shareholders who were parsnaded to back the restructuring on the understanding an extension would be agreed. It is not regarded as significant by the banks because their views are swayed by more short-term financial projections.

Agreement with the banking syndicate removes the threat of insolvency and clears the way for implementing the financial reconstruction and allocating free warrants to shareholders. Eurotunnel expects to sign the restructuring agreement by the end of January and to complete the restructuring by the end of March.

Tha restructuring will reduce Eurotunnel's annual interest charge by about £250m from £650m to just over £400m. It will allow the company to break even in 2004 and begin dividend payments shortly afterwards, Mr Malpas said.

The deal, first announced in October 1996, includes a £1bn debt-for-equity swap at 130p and a £1bn convertible bond issue with a conversion price of 155p. This will lead to the banks taking a stake in the company of 45.5 per cent though this could rise to 61 per cent depending on share price performance and the attractiveness of the bond issue.

Eurotunnel's shares closed up 3p at 62p yesterday.

Strong rise in freight and passenger numbers lifts result

Lufthansa profits up 125% despite Asian slowdown

By Graham Bowley in Frankfurt

Lufthansa, the German airline, increased pre-tax profits by 125 per cent to DM975m in the first nine months of 1997, but warned yesterday of a slowdown of air traffic to Asia and continued losses on its German routes.

Jürgen Weber, chief executive, said business was helped by strong rises in freight and passenger numbers, subdued costs and a weak D-Mark.

Lufthansa's strategic links with other air carriers – extended this week by a new bilateral alliance with Singapore Airlines – were generating healthy passenger growth and cutting costs by providing synergies, he said. The airline's total revenues increased 12.6 per cent to DM17.1bn.

Investors reacted positively to the results, which beat analysts' expectations. Lufthansa shares increased DM1.24, or 4 per cent, to DM32.35 by the close of trade in Frankfurt. The results are the first since the German government sold its remaining 37.5 per cent stake in the carrier in October.

The biggest increase in traffic sales was on routes to and from North America, where revenues grew 24.1 per cent. But Lufthansa warned that the Asian financial crisis had slowad passenger growth in the region. "The economic problems of some countries in south-east Asia have made themselves felt in the past two months," said Klaus Schlede, Lufthansa's chief financial officer.

"Passenger numbers did not grow as fast as in the first half of this year. But we did not experience an outright slump in the region, nor do we expect one in the future."

Lufthansa vowed to consolidate further its position in south-east Asia following the deal with Singapore Airlines by seeking links with more partners in the region in the first half of next year.

Mr Weber said these would be bilateral alliances but he hinted that they could eventually be incorporated into the Star Alliance, the world's biggest airlina grouping of which Lufthansa is a member. Mr Weber said this week's link with Singapore Airlines made it a "good candidate" for membership of the Star Alliance.

The alliance's aim is to help member airlines sell seats on each other's flights and to co-ordinate ticketing and frequent flyer programmes. The Star Alliance incorporates United Airlines of the US, Scandinavian Airlinas Systems, Air Canada, Thai Airways and Brazil's Varig, as well as Lufthansa.

Analysts say the arrangement is helping Lufthansa offer passengers a "seamless" global service to a greater variety of destinations, which means it is winning an increased share of long-haul traffic, in particular in the lucrative business market.

But Lufthansa has also profited from increased control of costs. In the first nine months of 1997, total expenditures rose 10.3 per cent to DM17.4bn. But the biggest increase was due to steep fuel costs, while labour expenses rose only 0.4 per cent to DM4.2bn.

Lufthansa forecast pre-tax profits would exceed DM1bn for the whole of 1997 with earnings in the final quarter expected to be ahead of the same period last year.

"This improved result will be reflected in the dividend payment and I am sure our shareholders will be very happy," Mr Weber said.

Jürgen Weber announcing the results yesterday Picture AP

Disney to open second Tokyo complex in 2001

By Christopher Parkes in Los Angeles

Tokyo DisneySea, Walt Disney's third overseas expansion of its theme park business, will open in late 2001 under a licensing deal announced by the US entertainment group and Oriental Land.

Apparently undeterred by Japan's economic turmoil, Oriental chose yesterday to give the go-ahead for a project that had been in the planning and development stage for almost six years before a basic agreement to proceed was reached early in 1996.

Oriental, which operates Tokyo Disneyland, the 15-year-old attraction rated as one of tha world's most successful crowd-pullers, said it expected the Y338bn ($2.6bn) ocean-themed park to draw 10m visitors a year.

The new park will share some parking, administrative and "backstage" facilities with the adjacent Disneyland. Together, they are forecast to attract annual crowds of 25m.

It will employ about 8,000 people, bringing the area's tally of Disney "cast members" to 21,000.

As with Disneyland, the attraction will be oparated under a licence from the US company by Oriental Land, which is controlled by partners Mitsui Fudosan, a developer, and Keisei Electric Railway. The development follows the pattern in other Disney-dominated areas, where overlapping parks with separate themes and audiences are intended to bring tourists for an extended stay instead of one-day visits.

The original Disneyland in southern California is soon to be joined by a California Adventure park offering scaled-down versions of the state's natural attractions. Next year, a $3bn project in Florida will be complated, including the company's first foray into the zoo business. The Animal Kingdom will feature a mix of live animals and animatronic dinosaurs.

Disney's theme parks division is one of its most consistent performers, and has little international competition. Revenues, which account for about a quarter of the group total, rose 11 per cent last year, while operating income was 15 per cent higher and contributed the same proportion to aggregate profits.

DisneySea will overlook Tokyo Bay from a 71-hectare site in Urayasu City, 10km from central Tokyo, and will follow the format of the other theme parks. Seven "ports of call" will be dominated by Disney'a version of sea lore and legend. Ariel, the Little Mermaid, will reign in an entertainment "lagoon" for children, while the Arabian Coast section will feature Aladdin's blue genie.

Disney also plans to transport the 19th century waterfronts of New York and Cape Cod – complete with 21st century shops – to Tokyo Bay. The 500-room Hotel MiraCosta, to be built inside the park and operated by Maihama Resort Hotels, will offer attractions including "Mediterranean-style" weddings.

Prosecutor set to question Trustor chief

By Jimmy Burns in London and Tim Burt in Stockholm

The Swedish state prosecutor is today expected to question in London Lindsay Smallbone, a close associate and former managing director of Trustor, the Swedish investment company at the centre of a SKr620m ($81.48m) fraud inquiry.

The prosecutor, Bo Skarinder, who has been working closely with the UK Serious Fraud Office, obtained permission for the interview from the British authorities earlier this week.

Mr Skarinder is thought to have also asked to question Lord Moyne, who acquired control of Trustor in the summer and is a close associate of Mr Smallbone, although the interview is not expected until later this week.

Mr Smallbone and Lord Moyne have denied any wrongdoing in their financial dealings at Trustor, and are are holding the Swedish associates responsible for the affair. They have made themselves available for questioning in the UK.

Neither was present yesterday, however, at an extraordinary general meeting in Stockholm where minority shareholders in Trustor voted to seek compulsory liquidation of the group. Investors attending the meeting were told by lawyers acting for the shareholders that Lord Moyne, Trustor chairman, had personally approved the transfer of SKr620m in assets to a bank account in London, of which all but SKr135m had disappeared.

Lord Moyne told the Financial Times last week: "I may have put my signature to bits of paper giving instructions of that sort."

Shareholders in Stockholm voted in favour of liquidation – involving the removal of Lord Moyne from the board – after hearing that it offered the best prospect of recovering the company's assets.

Two Trustor employees have been arrested on suspicion of aiding a breach of shareholder trust.

Yesterday's meeting was also told that Trustor was close to disposing of its main two operating subsidiaries in a deal that would further bolster its depleted assets.

AP Parts International and United Parts Group, two automotive components companies, are expected to be sold for a total of SKr890m. Björn Björnsson, Trustor managing director, declined to name the buyers.

He said the disposal strategy adviser was Charterhouse Development Capital, the venture capital arm of Charterhouse Bank of the UK, which holds a minority stake in both companies.

Meanwhile, lawyers acting for Trustor's largest institutional shareholders said they would continue with attempts to retrieve SKr417m of company funds which are the subject of a legal battle in Luxembourg. They reiterated that the money had been transferred to a Trustor account in Luxembourg from a Cayman Islands account held by Lord Moyne. He has denied direct involvement in the transaction. Lawyers appointed by Lord Moyne to represent him at yesterday's meeting made no comment.

Paribas moves to protect its empire

Buy-out of minorities in two subsidiaries should reinforce French bank's financial strength

The Empire Theatre in Paris seemed a suitably grandiose address for Paribas, the French banking group, to announce the latest step in its evolving corporate structure.

But there was little drama or surprise in the decision by the group to launch a FFr25.2bn ($4.3bn) buy-out of the minorities in two of its most profitable subsidiaries – Cetelem, the consumer finance business, and Compagnie Bancaire, the specialist financial services group.

The question many observers of the country's banking sector were posing was rather why Paribas had not acted more quickly, having for many years held a large but minority stake in Compagnie Bancaire.

The first sign of change came in May, when the group declared it had acquired a majority of the shares – 50.2 per cent. That came after substantial restructuring provisions at Compagnie Bancaire taken last year, which pushed it into losses of FFr1.2bn for 1996.

Paribas itself also had considerable house-keeping to do before it could undertake such a significant acquisition. After unveiling provisions which dragged it into losses of FFr4bn in 1995, it unwound its costly cross-shareholdings with the holding company Navigation Mixte by absorbing and selling much of the group.

It took the decision to withdraw from retail banking, selling Banque Ottomane, Crédit du Nord and Paribas Belgique. It has also sold FFr15bn in equity investments, helping to generate a considerable cash pile for purchases.

André Lévy-Lang, chairman of Paribas, estimates that acquiring full control, and integrating the two businesses fully into a new, single and simplified quoted company, should generate FFr300m in synergies in 1998 and FFr1bn a year later.

Synergies snapshot

Estimated impact on earnings FFr m		1998	1999
Additional net income Compagnie Bancaire and Cetelem*		1,404	1,643
Quantifiable synergies		300	1,000
of which:	enlarged distribution capability		80
	streamlining of central functions		80
	co-ordinated purchasing		150
	centralised group funding		220
	optimisation of financial management		450
Financing costs**		-266	-274
Subtotal before goodwill amortisation		1,438	2,369
Amortisation of goodwill***		-220	220
Total impact of operation		1,218	2,149

* based on general market consensus (Source: IBES) **FFr 7.6bn at 6% after tax *** remaining goodwill of FFr 4.4bn amortised after 20 years
Source: Paribas

Coupled with additional profits, net of financing and depreciation charges, the two acquisitions should contribute FFr1.2bn to an estimated net income for 1998 of FFr6.2bn, and FFr2.2bn for a total of FFr7.7bn in 1999. He says this performance should allow Paribas to achieve its objective of a 15 per cent return on equity by 2000.

The two purchases should have the effect of reinforcing the group's financial strength, providing probably the best defence from raids by creating a more fully-valued business.

Nevertheless, some raise questions over how easy it will be to integrate the operations into a single entity. "The two cultures are very different, and Compagnie Bancaire is much more dynamic," says a former senior executive. Equally, Paribas has long been known for the autonomy of its "barons" and their jealously-protected divisions.

Yet Mr Lévy-Lang knows Compagnie Bancaire well: he worked in the business for more than a decade, becoming its managing director before taking over at Paribas. Bernard Muller, the current chairman, was appointed by him and now joins the group board. Elsewhere, he has nominated his own allies to senior positions.

That leaves one other doubt, often voiced by its rivals: whether Paribas is large enough to compete with other investment banks in a sector that is consolidating fast. Executives have decided against a US acquisition, considering current prices to be too high. But they stress that by focusing on certain profitable niches, they can survive and thrive.

Meanwhile, the group yesterday indicated a healthy appetite, as well as the financial capacity to grow interally or through acquisitions. It said it planned FFr10bn in disposals over the next two years, as well as the issue of preference shares and securitisation which should boost its war chest. The Paribas empire may well be set to expand significantly.

Andrew Jack

See Lex

Telecom Italia to buy into Unisource alliance

By Gordon Cramb in Amsterdam

Telecom Italia will take a stake of up to 30 per cent in AT&T-Unisource, the joint venture linking US and European telecommunications groups, as part of a deal to include Italy's privatised carrier in the alliance.

Paul Smits, Unisource president, said yesterday the agreement reached this summer was intended to be completed by the end of the year, "though it could be January".

The Italian company's activities in the business market for value-added voice and data services would add about a third to AT&T-Unisource's revenues, which Mr Smits said would this year reach Fl 650m ($325m).

Unisource itself would break even by around the end of 1999, he added, reiterating that net losses this year would be lower than the Fl 375.4m reported for 1996.

The arrival of Telecom Italia, in which the Italian government sold its remaining stake last month, means AT&T will reduce its stake in the transatlantic venture from 40 per cent to 30 per cent. Unisource – which currently groups KPN of the Netherlands, Sweden's Telia and the Swiss PTT – would see its 60 per cent holding fall to 40 per cent.

Although the accord did not involve the Italian group becoming an equity partner in Unisource itself, Mr Smits did not exclude such a move in the future. "The logical next step is an increased involvement with each other," he said. "Whether we have three shareholders or four does not matter any more."

The revenues from the Italian group will restore growth prospects, which were dealt a blow when Telefónica of Spain withdrew from Unisource, choosing Concert, the alliance between BT of the UK and MCI, the US group. Concert was subsequently disrupted by a bid battle for MCI.

"This is a cost and volume game, and they are bringing a lot of volume," Mr Smits said of Telecom Italia. On the cost side, Unisource had committed Fl 600m-Fl 700m to strengthening a European telecoms "backbone" to provide faster data traffic for its customers, which include internet service providers.

Consortium to increase stake in Grundig to 95%

By Graham Bowley in Frankfurt

The consortium of Bavarian banks, insurance companies and private investors hoping to rescue Grundig, the troubled German consumer products group, said yesterday it would double its stake in the company to about 95 per cent in the next few weeks.

The consortium, which bought a 43 per cent stake earlier this year from Botts & Company, the London investment bank, would acquire the 52 per cent stake held by the Max Grundig Foundation, the Bavarian finance ministry said.

The stake would be transferred to the consortium via Philips, the Dutch electronics group which cut its holding and withdrew management control of Grundig earlier this year after heavy losses at the German company. Philips is to retain a 5 per cent share.

Otto Wiesheu, Bavarian finance minister, said the consortium, which was arranged by the Bavarian state government, would invest DM134m ($76.8m) in the company and make DM133m available in credit.

Burkhard Wollschläger, supervisory board chairman, said Grundig would break even next year and forecast a return to profit in 1999.

This year's loss was put at around DM120m after a loss of around DM400m in 1996. Grundig would make further cuts in its workforce from around 6,000 at present to about 5,000.

Grundig, which makes consumer audio and video products, is based near Nuremberg in Bavaria. It has suffered continued losses because of high German labour costs and competition from cheaper Asian imports.

Philips cut Grundig loose in January after refusing to continue to cover its losses. In August, the two groups settled what had become a bitter dispute over the extent of Grundig's losses.

The identities of the members in the consortium were yesterday revealed as: Anton Kathrein, a satellite antenna manufacturer; Mr Wollschläger; and board members Herbert Bruch and Manfred Bartl.

It also includes Bayerische Vereinsbank, Bayerische Hypobank, Bayerische Landesbank, Schmidt-Bank, Munich Re, Allianz and the Landesanstalt für Aufbaufinanzierung.

EUROPEAN NEWS DIGEST

Cegetel postpones fixed-line service

Cegetel, the telecommunications arm of Générale des Eaux which is expected to emerge as France Télécom's main competitor when the $30bn French market is fully liberalised in January, is to open its fixed-line service to the general public a month later than anticipated, on February 1. Jean-Marie Messier, Générale des Eaux chairman, yesterday blamed the postponement on the need for more network tests.

"To test the integration of our network with that of France Telecom, we asked the public operator to do 700,000 test calls in December. It only authorised us to make 2,000. We therefore decided to postpone until February 1 the opening of our service to the general public."

France Telecom described this as "an alibi to explain internal delays at Cegetel". Cegetel's service will be available to users in the Paris, Lyons and Lille areas – 40 per cent of French telephone subscribers – from February 1 and throughout France from May 31. The company said tariffs would be at least 10 per cent cheaper than those of the former monopoly operator. Users will be charged a FFr10 a month subscription. *David Owen, Paris*

■ ISRAEL

Koor falls at nine-month stage

Koor Industries, Israel's largest conglomerate, yesterday reported a 22 per cent rise in net income for the third quarter amid disappointing nine-month results. Net income for the nine months fell from $154.5m to $130.3m, or $8.58 an ordinary share, compared with $10.19 last year. This year's figures include a gain of $36m from selling stakes in food, electrical appliances and machine tool businesses.

Earnings per American Depositary Share – one ordinary share equals five ADSs – fell from $2.04 to $1.72. Revenues rose 3.1 per cent from $2.65bn to $2.73bn. Net income for the third quarter rose from $31.34m to $38.2m, on sales up 2.7 per cent to $868m. Earnings per ordinary share rose from $2.07 to $2.53, while earnings per ADS climbed from $0.41 to $0.51. Growth was driven by Makhteshim-Agan, Koor's agrochemicals division, and Tadiran, its telecommunications and electronics unit which last week reported a 75 per cent rise in earnings.

Yesterday's statement coincided with a decision by Koor to acquire 10.66 per cent of ECI Telekom, the Israeli telecoms company owned by the Claridge Group. In exchange, Claridge will lift its stake in Koor by 9.6 per cent to 35.4 per cent. *Judy Dempsey, Jerusalem*

■ RETAIL

Schroder Ventures buys Vögele

Vögele Group, the privately-owned Swiss clothing retailer, yesterday sold out to Schroder Ventures, the UK venture capitalist, in a deal valued at SFr1.25bn ($893m). Charles Vögele, who founded the business in the early 1960s, will step down as chairman. His two sons remain on the board. The deal involves Schroder taking 85 per cent of the equity, 10 per cent staying with the family, and 5 per cent going to Urs Meile and Peter Graf, the two non-family board members. Thomas Krenz, partner at Schroders & Partner in Frankfurt, said it was "an extremely well-run business" that could be floated, probably in Zurich, within three years.
Katharine Campbell, Growing Business Correspondent

■ INSURANCE

Toro to raise L600bn

Toro Assicurazioni, the insurance company controlled by Italy's Fiat automotive conglomerate, is to raise about L600bn ($351m) through an equity and warrant issue to finance its investment in a core shareholding stake in Banca di Roma. The insurance group is taking an 8.3 per cent stake in Italy's second largest banking group, which is being privatised.

Toro is acquiring L300bn worth of new Banca di Roma shares as well as subscribing L400bn to a Mediobanca bond issue convertible into Banca di Roma shares. The insurer is raising about L405bn with the issue of new ordinary, privileged and savings shares. The ordinary shares have been priced at L15,200; the privileged and savings shares are L8,500. All shares are being offered on the basis of three new shares for every 10 held. Each three new shares will carry a warrant giving shareholders an option to subscribe to an additional new ordinary share during the next three years. The exercise of these warrants will raise a further L200bn. *Paul Betts, Milan*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 27.11.97 / Final Prices for Trading on 26.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	23.55	26.93	27.08	0.82
0100	23.55	26.93	27.09	0.82
0130	23.55	26.93	27.08	0.82
0200	23.55	26.93	27.09	0.82
0230	22.90	26.93	27.08	0.82
0300	22.90	26.93	27.09	0.82
0330	22.90	26.93	27.09	0.82
0400	22.90	22.19	22.35	0.82
0430	22.90	22.19	22.35	0.82
0500	12.44	22.19	22.35	0.82
0530	12.44	15.24	15.40	0.82
0600	11.02	15.24	15.40	0.82
0630	18.20	26.32	26.88	0.82
0700	30.23	26.80	26.96	0.82
0730	30.24	26.86	27.02	0.82
0800	30.23	27.65	27.84	0.82
0830	30.24	33.48	33.73	0.82
0900	27.58	31.62	33.82	0.82
0930	37.58	50.58	50.90	0.82
1000	37.57	50.51	50.80	0.82
1030	37.57	35.71	35.87	0.82
1100	58.04	35.69	35.93	0.82
1130	58.04	35.70	35.95	0.82
1200	31.40	35.69	35.93	0.82
1230	37.58	33.43	33.65	0.82
1300	37.58	33.38	33.67	0.82
1330	31.39	27.62	27.80	0.82
1400	31.39	27.61	27.79	0.82
1430	37.58	27.61	27.78	0.82
1500	37.58	27.61	27.79	0.82
1530	31.40	27.63	27.81	0.82
1600	31.52	27.69	27.80	0.82
1630	57.50	29.08	29.85	0.82
1700	73.13	71.75	80.93	0.82
1730	123.89	107.89	123.57	0.82
1800	120.09	125.82	142.56	0.82
1830	64.87	108.86	121.73	0.82
1900	54.49	67.36	74.40	0.82
1930	43.48	52.86	55.61	0.82
2000	42.43	44.17	45.02	0.82
2030	37.58	35.01	35.33	0.82
2100	38.38	27.71	27.85	0.82
2130	31.25	26.87	27.04	0.82
2200	30.04	27.59	27.75	0.82
2230	30.24	26.76	26.92	0.82
2300	22.72	15.24	15.40	0.82
2330	22.72	15.24	15.40	0.82
2400	22.72	15.24	15.40	0.82

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.55/MWh becomes 1.655p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its [illegible] optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid [illegible]

PEAN NEWS DIGEST

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COMPANIES AND FINANCE: ASIA-PACIFIC

Foreign exchange losses of Bt20bn wipe out third-quarter profit

Siam Cement falls into red

By Ted Bardacke in Bangkok

Siam Cement, Thailand's largest industrial conglomerate, posted a third-quarter consolidated net loss of Bt18.3bn ($458.3m), largely because of foreign exchange losses of Bt20.4bn.

With $4.2bn in foreign debt and its core business in the slumping building materials industry, Siam Cement is particularly vulnerable to Thailand's falling currency and the country's resulting economic slowdown. The debt includes $700m that must be repaid within the next 12 months.

Together with long-term borrowing, the group has an average annual repayment obligation of about $550m over the next eight years. It yesterday sought to dismiss market talk that it would be forced to restructure its foreign debt burden.

"Siam Cement has kept all relevant foreign financial institutions well appraised of circumstances. These institutions have demonstrated their complete confidence in the group's ability to generate enough cash to meet the obligations of both principal and interest in full and on schedule," the company said.

It added that creditors had agreed to maintain short-term credit lines and that a number were considering converting short-term borrowings into long-term borrowings.

The company said that without the foreign exchange losses the group would have made a third-quarter net profit of Bt2.06bn and a nine-month net profit of Bt5.82bn.

Nine-month consolidated net losses at the group came to Bt21.94bn, compared with a profit in the same period last year of Bt5.93bn.

Third-quarter profits in 1996 were Bt1.53bn. Third-quarter losses per share were Bt152.78, and nine-month losses per share were Bt182.79.

Siam Cement traditionally closes the Thai reporting season. Yesterday's reported losses gave listed Thai companies an aggregate loss of Bt110.9bn in the first nine months of the year, compared with profits of Bt105.2bn in the same period last year, according to broker Indosuez W. I. Carr.

Only three big sectors – banking, electronics and entertainment – posted profits during the third quarter, the broker said.

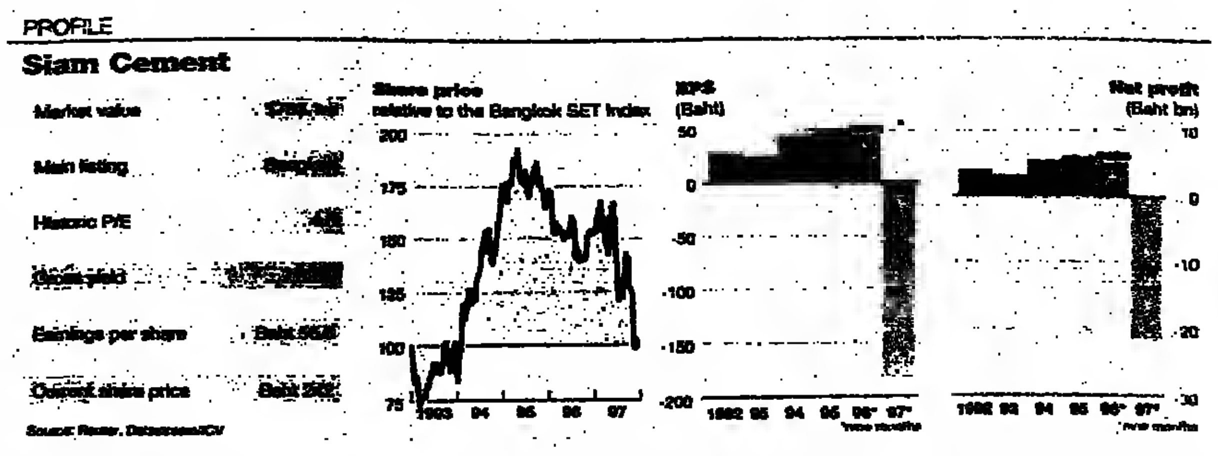
● Thai Petrochemical Industry and TPI Polene, the petrochemical and cement companies that make up the financially troubled TPI Group, both reported third-quarter losses yesterday.

TPI swung to a consolidated net loss of Bt19.4bn, or Bt9.96 per share, compared with a net profit of Bt572.5m in the same period last year.

The company had consolidated foreign exchange losses of Bt15.5bn.

TPI Polene reported a third-quarter loss of Bt10.7bn, or Bt32.08 a share.

PROFILE



UK group set to advise on Yamaichi sale

By George Graham, Banking Editor

DLJ Phoenix, the London corporate finance adviser bought this year by Donaldson Lufkin & Jenrette, is expected to be appointed today to advise on the sale of all or part of Yamaichi Securities, the Japanese brokerage whose closure was announced on Monday.

Several international investment banks have expressed an interest in buying parts of Yamaichi, and some have indicated they might consider acquiring the entire business.

Phoenix, which has specialised in mergers and acquisitions between financial institutions, could be in a position to talk to potential buyers at the beginning of next week.

Yamaichi discussed a possible deal with several US investment banks earlier this year, bnt none was ready to commit itself while the broker's financial position was deteriorating so fast.

However, some large banks may now consider Yamaichi presents an opportunity to acquire a position in the Japanese securities market for a knock-down price.

Foreign interest has focused on Yamaichi's fund management subsidiaries, Yamaichi Investment Trust Management and Yamaichi International Capital Management. Yamaichi International Capital Management yesterday said it had received about 10 offers for its operations. "We have had lots of groups interested in buying us," a spokesman in New York said.

However, the group admitted it was "probable" that it would change its name in order to continue operating in the future.

Investors are estimated to have pulled Y660bn ($5.17bn) from Yamaichi funds since its collapse on Monday, so Phoenix will have to move quickly before the business evaporates.

Several of Yamaichi's overseas operations, such as its bank in London, are understood to be profitable, but these are unlikely to be of interest to an international investment bank.

Yasuda fights for credibility

Market believes Japanese bank may be next in line to succumb

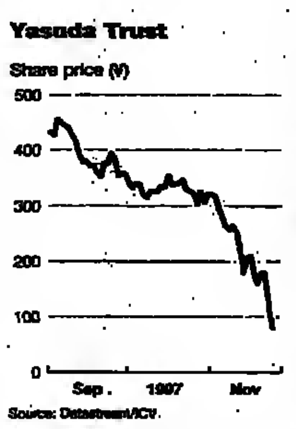
Masaomi Obayashi, corporate planning manager at Yasuda Trust Bank, smiled nervously. "The timing of all this has been very unfortunate," he muttered as he mulled Standard and Poor's decision to downgrade his bank's debt to junk bond status on Tuesday.

"After the failure of Yamaichi, there is tendency in the media and investors now to ask which banks might fail next."

If the stock market is to be believed, Yasuda Trust is a candidate. Its share price is now Y79, putting it for the first time under the Y100 level which, according to Tokyo stock market lore, is the measure of corporate health.

Japan's recent financial turmoil has shattered assumptions about the loyalties that once underpinned the country's banking and broking sector. Consequently, the problem now dogging investors is how to judge which companies could be vulnerable to failure.

Yasuda Trust insists its future is safe. It expects a net loss of Y70bn ($549m) this year because of s Y200bn bad loan disposal, but it plans to raise Y50bn of capital by issuing shares to other members of the Fuyo Corporate group. It expects to post s capital adequacy ratio of about 11 per cent soon.



The ministry of finance is conducting an inspection of the group which Yasuda Trust hopes will reassure investors that its balance sheet is credible.

However, western analysts are divided. Some suspect the group could already be technically insolvent, although in Japan's current feverish climate no analyst will say this publicly for fear of repercussions. "The non-performing loans relative to capital is now well over 100 per cent," said one.

However, David Atkinson, of Goldman Sachs disagrees, arguing that the calculations are an inaccurate measure of the balance sheet.

The real rub is that solvency may not be the crucial issue. Yamaichi, after all, was solvent when it closed. In practice, Yasuda Trust's strength – like that of the other banks and brokers coming under pressure in the markets – depends on other factors which are much harder to measure.

One is whether the group will face a funding squeeze. Yasuda Trust argues that, anticipating a squeeze, it raised extra funds in foreign markets in early October and is safe now. It also points out that, as a trust bank, it is a net provider, rather than a borrower, of money into short-term yen money markets. However, convincing investors of this may be hard.

Also uncertain are Yasuda's corporate ties. Fuji Bank in effect abandoned Yamaichi, its traditional ally, but insists it will not do the same to Yasuda, another ally.

"We want to form a holding company in the future and think that Yasuda Trust will be part of that," said Yoshiro Yamamoto, Fuji president, last week. But Fuji itself is under pressure, fuelling investor unease.

A third unknown is the stock market. The company has been perceived as being particularly vulnerable to falls in the market, as these erode the value of its equity portfolio. Mr Atkinson responds that Yasuda's Y50bn share issue should protect the group's capital base, even if the Nikkei falls to 10,000.

A fourth is the government's attitude. Yasuda Trust is an important force in the pension system. Some suspect this means the government could not let the group fail, but as one analyst says: "Before the collapse of Hokkaido Takushoku, people thought that the government would not let any of the top 20 banks fail either."

Where does this leave Yasuda Trust? For the moment, it says there is no real sign of customer panic. Only Y40bn of customers' money was withdrawn yesterday, out of Y8,200bn worth of accounts.

However, unease is clearly visible at its headquarters. "There is a nervous climate," says Mr Obayashi. "We just explain to people that these fears are very wrong."

Gillian Tett

Life groups the hidden factor in Tokyo turmoil

By Bethan Hutton in Tokyo

Japan's mntual life assurers are the hidden factor in the current financial turbulence. Their vast investments, particularly in the financial sector, give them huge power: the refusal of a group of life assurers to roll over subordinated loans to Sanyo Securities was the final straw leading to the brokerage's bankruptcy.

But the insurers have been victims as well as executioners. The falling stock market bas wiped out equity reserves at some companies. And as leading shareholders in and lenders to most financial institutions, life assurers have also lost money in each of this month's collapses. Their mntual status means only that their problems are less visible tban among listed banks and brokers.

One insurer has already gone under tbis year, and others are being pushed closer to the edge. Moody's, the ratings agency, last week graded several Japanese life assurers as "poor" or "very poor" risks, and said the sector's outlook was negative.

Moody's sees the weakest as Toho Mutual Life, rated Caa1. Tokyo Mutual is rated B1, and three others B3. Standard and Poor's rates four life assurers as "vulnerable to adverse economic and underwriting conditions".

The unprecedented failure in April of Nissan Mutual, a medium-sized life assurer, sent a shock through the insurance sector and weakened the confidence of policyholders. Policy cancellation rates have since been running at record levels, and as the insurers have few reserves – after years of paying out higher returns to policyholders than they were getting on their own investments – they have had to sell assets to refund the policies. This has been one factor in the weakness of the stock market this year.

The collapse of Nissan Mutual has also forced tbe insurers to rethink their Investment strategy and lending exposure.

Their problems are due in part to the traditional practice of cementing business ties with shareholdings. Insurers bought shares in client companies to ensure a steady flow of business. But when the companies hit difficulties, the insurers were among the first to be tapped for more funds. Demand for loans often escalated, leaving insurance companies deciding if and when to say no to further outlays, and thus to endanger their existing exposure.

With Sanyo Securities, they decided not to throw more good money after bad. "It was a dramatic change in what had previously been business as usual in Japan," says Thomas Keller, of Moody's in Tokyo. "I think their decision was based purely on their internal economics."

When a group of nine insurers refused to extend their long-term subordinated loans to Sanyo, its capital fell below acceptable levels and it filed for bankruptcy. This was not necessarily what the insurers had been expecting - until then, it had been assumed that the authorities would help a failing financial institution.

Other troubled banks or brokers with insurance companies as leading creditors may be feeling uneasy. But the insurers cannot afford to pull the plug on too many cases at once, as many already have problems with capital weakness.

There are signs of growing differentiation between the stronger companies and the weaker. Even consumers are starting to distinguish between them: policy cancellations have been higher at the weaker companies, although the whole industry bas suffered. Analysts say the process is likely to be accelerated as the spate of bank and brokerage collapses further weakens consumer confidence.

The collapse of Nissan Mutual could be seen as the precursor of the shake-out of financial institutions, but it is unlikely to be the last victim in the insurance sector.

Towa shares hit over debt fears

By Bethan Hutton

Shares in Towa Real Estate Development, a Japanese property developer, more than halved yesterday on fears its banks could withdraw support because of turmoil in the financial sector.

Towa almost collapsed under its debt burden last year bnt has been kept afloat with the support of its main shareholder, Fujita, a construction company which is undergoing a restructuring, and a group of banks. Towa's shares fell 56 per cent to Y22, after losing 27 per cent on Monday. Fujita dropped 36 per cent to Y35, on top of an 18 per cent drop on Monday.

Towa yesterday issued a statement reaffirming its earnings forecast for the year and said that it still had the full support of its two main creditors, Fujita and Tokai Bank. Fujita said it knew of no reason for the share price falls.

Analysts said construction companies were suffering from the perceived reluctance of banks to extend credit. "The banks are focusing more on taking care of their own problems and have less capacity to take care of some of their debtors' problems," said Steven Weller, analyst at Jardine Fleming Securities in Tokyo.

The failure of two banks and two securities companies this month has shown that there is no government guarantee for financial institutions and increased pressure on lenders to make decisions on commercial principles, rather than business relationships.

"Those creditors are going to be put in a much more difficult situation and they are going to have to make choices," said Mr Weller.

Other construction groups nndergolng corporate restructuring also fell sharply yesterday, including Wakachiku Construction and Mitsui Construction, both down 34 per cent, Tobishima, down 29 per cent, and Aoki, down 24 per cent. Three listed construction companies have filed for bankruptcy this year.

Towa and Fujita are seen as even more vulnerable than other companies with similar debt burdens, as they are not linked to a strong corporate grouping.

Fujita is a family-run company, which owns 17.5 per cent of Towa, and has large holdings of property dating from the late 1980s.

ACC slides 73% as cement prices fall

By Krishna Guha in Bombay

Severe overcapacity in India's cement industry led to a 73 per cent fall in pre-tax profits at Associated Cement Companies, the country's largest producer.

"The continued downslide in cement prices in most parts of tbe country accounts for the lower level of profits," said S. Ganguly, vice-chairman. Sales in the six months to September 30 fell 4 per cent to Rs11.7bn ($305m). Pre-tax profits were down at Rs237m from Rs864m.

The company closed one of its plants in Haryana, and sold another to Tisco for a one-off gain of Rs50m. This reduced output to 4.2m tonnes from 4.6m tonnes.

Operating costs rose 2 per cent to Rs10.77bn in spite of falling volumes. The collapse in profits resulted in a much lower tax provision, more than 90 per cent down at Rs25m, moderating the fall in profits after tax to 61 per cent, to Rs212m.

Analysts asid ACC's results were slightly better than expected. "We had expected a fall in margins of up to 7 per cent – in fact they fell by 5 per cent," said Alroy Lobo, analyst at Kotak Securities.

The company foresees a "significant reduction" In costs through voluntary redundancies. These measures – and closure of the Haryana plant – helped to compensate for rises in fuel and transport costs.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE FOR TRADE AND INDUSTRY UNDER SUBSECTION 8(5) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows

1. She proposes to grant licences under the Telecommunications Act 1984 ("the Act") to LCI Telecom UK Limited and TGC UK Limited ("the Licensees") to run international telecommunication systems in the United Kingdom. The licences will be for a period of 6 months, thereafter being subject to revocation on one month's notice.
2. The principal effect of each licence will be to enable the Licensees to install and run telecommunication systems in the United Kingdom which may be connected to telecommunications systems outside the United Kingdom, and to provide a wide range of international services but not any domestic services (i.e. services involving the conveyance of messages which originate and are subsequently to terminate in the United Kingdom) or mobile radio services. Each Licence authorises the connection to a wide range of other systems, including domestic systems and earth orbiting apparatus.
3. Each licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
4. The Secretary of State proposes to grant each licence in response to an application from each licensee for such a licence because she considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of all such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. Representations or objections may be made in respect of each of the proposed licences. They should be made in writing by 29 December 1997 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.57 Grey, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department (fax: 0171 215 1721) or by calling 0171 215 1756.

Alan D Proud
Department of Trade and Industry 27 November 1997

من الأهالي

COMPANIES AND FINANCE: INTERNATIONAL

JCI turns its back on gold mining

South Africa's national broadcaster is planning a television drama series set on a gold mine. The script will explore the impact of the tumbling gold price, black empowerment and the evolution of Johannesburg's once-mighty mining houses.

But nothing the writers devise will be as extraordinary as recent events at JCI, South Africa's only black-controlled mining group.

On Monday Mzi Khumalo, the JCI chairman who bought a controlling stake in the company from Anglo American in November 1996, offered to sell his best assets back to the previous owner. Terms were agreed overnight, and announced on Tuesday to coincide with the results of Anglo's long-awaited strategic review.

The R2.6bn ($536m) deal is a surprise conclusion to the corporate drama that began on the eve of South Africa's first all-race elections in April 1994, when Anglo put its stake in Johannesburg Consolidated Investments, a diversified holding company, up for sale to promote black economic empowerment.

Mzi Khumalo, JCI chairman: last-minute deal with Anglo

The group's industrial interests, spanning an array of minority stakes in blue chip companies, are now owned by a consortium of black investors led by Cyril Ramaphosa. The most valuable mining businesses – JCI's Western Areas and HJ Joel gold mines – were returned this week to the Anglo stable.

Three and a half years after bids were invited for JCI, its flagship mines are back alongside the platinum interests of the former JCI which were not offered to black buyers. Both have found a place in two new Anglo empires, Anglogold and Amplats, the world's biggest producers of gold and platinum respectively.

Recovering the mines is a coup for Anglogold, the new $3.8bn company which is taking over the diverse gold interests of the sprawling Anglo group. The decision to sell, say advisers, was "a defining moment" for JCI and for Mr Khumalo's relationship with Brett Kebble, his business partner and a prominent gold bull.

In exchange for Western Areas and HJ Joel, which lies adjacent to Gencor's Beatrix mine in the southern Free State, JCI will acquire Anglo American's 26 per cent stake in Lonrho, the UK conglomerate. Anglo will take a book loss of almost £100m ($168m) on its purchase of the Lonrho stake, which was vetoed last year by the European Commission after concerns over concentration in the platinum industry.

Mr Khumalo will also require Commission permission to buy into Lonrho, but after a meeting with officials in Brussels last week he is confident JCI will become its biggest shareholder. JCI will also sell its remaining portfolio investment of 3 per cent in Amplats back to Anglo, and receive R1bn in cash on top of the R1.6bn stake in Lonrho.

After a year-long flirtation with bullion, Mr Khumalo has opted to transform JCI from a company with 70 per cent of its assets in gold into a diversified mining group. He is in a strong position to make acquisitions. Disposals, including portfolio investments in Johnson Matthey and Amplats, have raised R3bn in cash.

JCI shares rallied almost 20 per cent on news of the deal with Anglo. But in spite of the improved sentiment, the market can find little in JCI to warrant the R54.50 a share which its new owners paid less than a year ago for Anglo's controlling stake.

The decision to sell to Anglo, say advisers, was 'a defining moment' for JCI and for Mr Khumalo's relationship with Brett Kebble, his business partner and a prominent gold bull

The balance of JCI's assets now include its 57 per cent stake in CMI, the chrome producer; the Beira iron ore project in Mozambique; and a portfolio of potentially attractive metals interests in Ghana, Siberia and the Congo. But its most profitable subsidiary, the wholly-owned Tavistock coal subsidiary, is earmarked for sale to Lonrho's Duiker later this year.

JCI's move away from gold illustrates what is in many respects the revolutionary thinking of a new generation of mining executives as they battle to revive the country's traditional mining finance houses. "We don't regret in any way what we've done," says Julian Ogilvie Thompson, Anglo chairman, who led negotiations to sell JCI last year. "It's up to [JCI's new owners] to make a future out of the assets they have chosen to keep."

Mr Khumalo's new emphasis is on organic growth and acquisitions – a process which is well under way. Next to Lonrho, a less dramatic deal also took place this week when JCI paid R252m for 20 per cent of Southern Mining, a Johannesburg-listed exploration company with an option on a high-grade titanium deposit at Bothaville in the Free State province.

The changes are not solely because of the slide in bullion, whose demise helped knock JCI's share price from last year's peak of R54 to a low of R16 last week. The catalyst was the proposed gold merger between Gencor and Gold Fields of South Africa, which was announced on October 10, and the subsequent creation of Anglogold.

"Our gold interests do not have critical mass to compete for assets and strategic positioning with the major new alignments," says Mr Khumalo. His 11th-hour decision to approach Anglo was made only after a deal with Brian Gilbertson, Gencor chairman, proved elusive.

The ultimate goal remains to merge with Lonrho, in spite of the breakdown of previous merger talks in June. "The opportunities are there. We've sold Western Areas at a premium of 50 per cent to the market, and acquired Lonrho at a 36 per cent discount to net asset value," says Mr Kebble. "We'll extend a hand of friendship to Lonrho."

Mark Ashurst

Posco pins its hopes on IMF

Steelmaker needs freer hand

"Steel is national power" was a famous slogan of Park Chung-hee, the military strongman who developed South Korea into a powerful industrial state in the 1960s and 1970s.

But the current woes of the Korean steel industry reflect how Mr Park's strategy of command capitalism resulted in excess corporate debt and overinvestment, which has forced the nation now to turn to the International Monetary Fund for a $20bn rescue package.

The steel industry was the first victim of the corporate debt crisis that engulfed Korea this year. In January, Hanbo Steel collapsed under $6bn of debt, followed by the nation's two largest speciality steelmakers, Sammi Steel and Kia Steel.

The initial government response was to press state-run Pohang Iron & Steel (Posco), Korea's dominant steel company and the world's largest in terms of production, to help rescue its bankrupt rivals.

Posco executives were appointed to manage Hanbo, which included sacking half its 5,000 workers. It then made a joint $2bn bid for Hanbo assets with Dongkuk Steel, another domestic producer. Posco also bought several steel plants from Sammi and has taken a 20 per cent stake in a consortium that will acquire the rest of its facilities. Government officials recently suggested that Posco should also take over Kia Steel.

The forced intervention of Posco worried investors, who feared that the spree of acquisitions would burden the steelmaker with unwanted facilities. Credit-rating agencies threatened to downgrade Posco if the deals were concluded.

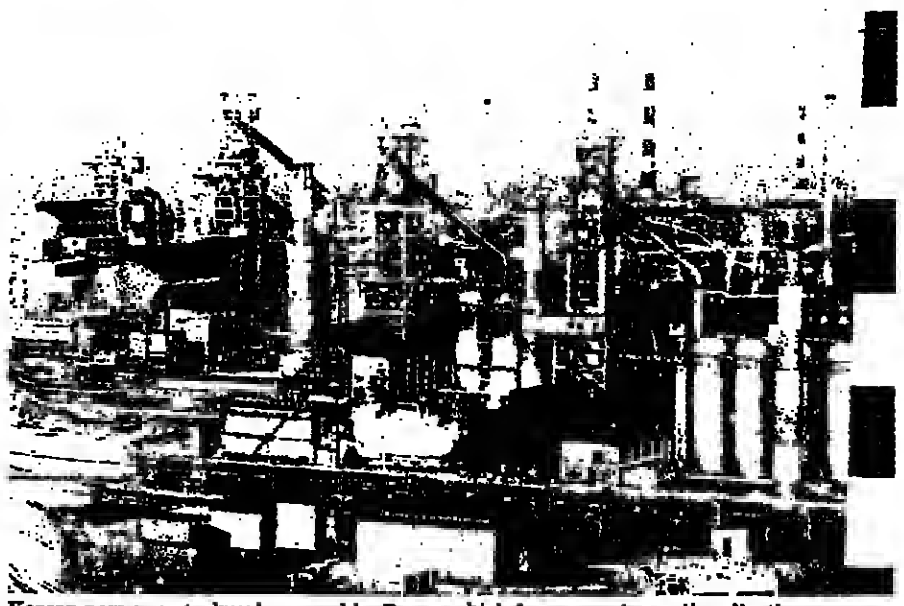
The IMF is expected to stop the "creeping nationalisation" of the steel industry, to the relief of investors and Posco's management.

Anthony Moon, steel analyst for ABN Amro Hoare Govett in Seoul, believes Posco will withdraw its bid for Hanbo, which will instead be split up and sold to Dongkuk and possibly a foreign steel company.

Steelmakers such as Nucor of the US might be interested in establishing an Asian presence using Hanbo's advanced minimill steel-making equipment.

An economic austerity programme expected to be imposed by the IMF will probably force Hyundai, one of Korea's biggest conglomerates, to scrap plans to build a $5.6bn steel mill to compete against Posco, although Hyundai remains adamant about proceeding.

"The excess production capacity is being eliminated, which will leave Posco in a much stronger competitive position," said Mr Moon.



Korean power: a steelworks owned by Posco, which fears creeping nationalisation

The irony is that while the government has encouraged banks to lend to uncompetitive industrial groups, it has conducted ruthless housecleaning at state-owned Posco. Analysts believe that Posco will serve as a prime model for other Korean companies as they undergo painful restructuring, for the steelmaker is regarded as one of Korea's best-managed enterprises under its chairman, Kim Mahn-je, a former economics minister.

Posco, which claims two-thirds of the domestic market for main steel products, has pursued a tough rationalisation programme that has transformed it into one of the world's most efficient steelmakers, with a capacity utilisation rate of 114 per cent. It is now able to produce the same amount of steel with less than half the labour required 10 years ago, thanks to highly automated facilities using advanced machinery acquired at discount prices during the steel recession of the early 1990s.

The workforce has been cut from 25,000 to nearly 19,000 in the past five years. This has also allowed Posco to offer generous wages and social benefits, which has eliminated labour disputes.

It has also been one of the world's first big steelmakers to embrace minimill technology to supplement its blast furnace operations.

Posco boasts one of the strongest balance sheets in Korea, with its debt burden about half of equity, compared with four times equity for leading domestic conglomerates. Its accounts are transparent as it is one of only three Korean companies to be listed on the New York Stock Exchange.

It is these strengths that will allow Posco to weather any expected downturn in steel profits next year.

Posco is expected to fall short of the 1997 earnings target of $1.1bn by posting profits of $800bn, still the highest in Korea, because of foreign exchange losses on overseas debt as the Korean currency, the won, plunges.

Despite the short-term problems, "Posco will emerge as the strongest industrial pillar in Korea," said Mr Moon. That, at least, should please the spirit of the late Mr Park.

John Burton

Indian carmaker rises midway

By Kunal Bose in Calcutta

Hindustan Motors, India'a second-largeat carmaker, yesterday surprised investors by raising first-half sales and profits in apite of recession in the car industry.

The results confirm that demand for the Ambassador, a car launched in the late 1950s, remains strong.

In the six months to September 30, sales rose 4 per cent to Rs4.63bn ($121m). Pre-tax profits were up 3 per cent to Rs336m, while net profits were flat at Rs177.4m, after higher provisions for tax. Tha company's shares rose 6 per cent to Rs12.20.

Analysts said the group, which also makes earth-moving equipment and power prodncts, would do better in the current half. "We are impressed with efforts to control costs. Costs rose only 4.43 per cent to Rs4.33bn," said one.

The group, which has an alliance with Mitsubishi Motors of Japan, is building a new factory in Tamil Nadu to make Lancer cars. The factory has annual capacity of 30,000 cars and will start prodnction early next year.

"We conducted road sbows in the major Indian cities and the response is quite encouraging. With Lancer we will have a presence in the premium segment of the market. We will produce 8,000 cars in the first year," said the company.

It has teamed up with Oka Motor of Australia to make rural transport vehicles.

CONTRACTS & TENDERS

Rebuilding the Reichmann empire

Canary Wharf's original developer is back and plans to complete the project within seven years

Canary Wharf, the once derided £4bn ($6.7bn) construction project built on the site of a former banana warehouse in London's docklands, must be a bittersweet sight to Paul Reichmann, its Canadian creator.

Mr Reichmann, 67, is watching as his imaginary City of London East, as he had wanted to call the project, rises in concrete, steel and glass just east of the Isle of Dogs, its offices and retail spaces nearly full.

Canary Wharf no longer belongs solely to Mr Reichmann. His family company, Toronto-based Olympia & York, collapsed in the early 1990s, brought down partly by its commitment to the London project which was placed in receivership by its bankers in 1992.

Although his personal stake in the project is now just 5 per cent, Mr Reichmann remains at the helm of the development company which this week announced plans to build the remaining two-thirds of the project.

Development of office space will resume next year, with the aim of tripling the size of the complex in the next seven years.

And it is not just in London that Mr Reichmann is making a comeback. One of his family's companies plans to revive three ambitious projects in Mexico City which were shelved in 1994 due to the peso crisis.

"We are taking them out of mothballs," he says.

Speaking for the first time since he led an investment consortium to buy back Canary Wharf in 1995 from the bank receivers, Mr Reichmann said that he was now a more cautious developer than he had been before Canary Wharf was conceived. "It would be very sad if I did not learn from my mistakes."

But his underlying strategy in property development remains unchanged: that occupiers will move to the most efficient space. They will pay more and travel further for better product.

"If you create a product with an ambiance that is better than anything else around, that will generate more development in the surrounding areas," he says. "That isn't true everywhere, but it is true in the areas where the existing product is not high quality."

His vision for Canary Wharf in 1987 was knocked off-course by sky-high interest rates, a severe recession and by the failure of the UK government to build promised rail links to the area.

But above all, it was undone by the biggest building boom ever in the City of London financial district by rival developers who also realised the capital's need for modern office space.

Mr Reichmann decided to invest in London's derelict docklands following several visits in the mid-1980s.

"I visited a city with office buildings that were outmoded," he says.

"I did my own personal survey. I asked them could they operate long term in the buildings they are in. Nineteen out of 20 gave an unequivocal no."

He plans a similar approach in Mexico City, which, like London 10 years ago, is almost devoid of high-quality office space.

Land has already been cleared for a 50-story, $300m building near Mexico City's Chapultepec Park, one of its most prestigious addresses. The project is a partnership with ICA, the Mexican company, and will be built on a speculative basis without any pre-agreed rentals. Mr Reichmann intends to buy out the stake of his 25 per cent shareholder, George Soros, who is also an investor in Canary Wharf.

He is also planning two other ambitious projects in the Mexican capital, one of which will be in Santa Fe, a new business district several miles outside the centre where rents will be half those at Chapultepec.

Large Mexican banks are the target client for this development, for which 100,000 acres have already been acquired.

The other is planned for Alameida Parc, next to the Opera and near the Presidential Palace, a site levelled by the 1985 earthquake.

Other property projects include a venture with Barry, his son, called Central Park Lodges to build retirement homes in the US and Canada.

Last May, it split its nursing and retirement homes divisions ahead of spinning off its nursing homes division into a Real Estate Investment Trust, a US publicly traded company with tax advantages for investors.

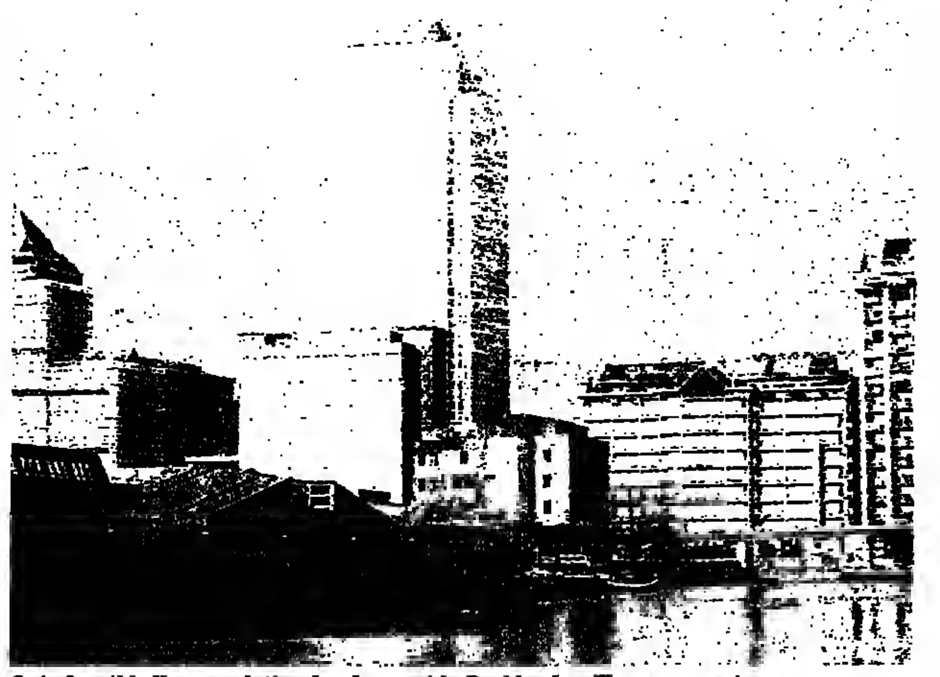
Mr Reichmann says he was in negotiations to buy other US properties and some of these may later be packaged into a REIT.

He demurs on whether he envisages the transformation of the Reichmann family empire into a publicly quoted vehicle.

The transformation of property ownership in the US from private developers, such as himself, to public companies such as REITs "is tremendous because it provides capital".

But he says REITs are for financial engineering, not visionary development. "Development is a business where you can't go by the book. The great property developments will be developed by individuals, not by REITs."

Norma Cohen



Out of mothballs: speculative development in Docklands will resume next year — Ashley Ashwood

AMERICAS NEWS DIGEST

AT&T to sell paging unit

AT&T aims to sell its paging business in the latest of a series of moves to divest slow-growth operations that are not central to its focus on telecommunications. The group "has an aggressive effort under way to ensure that its portfolio includes only businesses that are central to our communications services strategy", it said.

The group was "exploring options regarding the messaging business which could result in a decision to sell the unit".

Analysts estimate the business could be worth about $450m. With 3m customers, AT&T's paging service is the ninth largest in the US. Growth in the paging business has been slowed by the rising popularity of cellular telephones.

Over the past year, AT&T has sold businesses worth about $2bn. The group is currently seeking buyers for its credit-card operations and a unit that provides customer services and telephone help desk services to large businesses.

AT&T is also selling its 45 per cent stake in LIN Television. LIN is being acquired by Dallas-based buy-out firm Hicks, Muse, Tate & Furst in a proposed $1.9bn deal.

Analysts said that they expected Michael Armstrong, AT&T chairman, who joined the company last month, to further streamline operations.

Louise Kehoe, San Francisco

■ M&A

SBC unit in Argentine venture

SBC Warburg Dillon Read, the investment banking arm of Swiss Bank, has formed a partnership with Infupa, a leading Argentine mergers and acquisitions adviser.

SBC, which recently acquired Banco Omega in Brazil, has been building its emerging markets capabilities. Infupa has specialised in M&A and privatisations, closing eight deals this year. It is currently working on 20 more.

Infupa and SBC Warburg have agreed to work exclusively with each other on the origination and execution of mergers and acquisitions in Argentina, as well as on selected capital market transactions.

George Graham, Banking Editor

■ ALUMINIUM

Reynolds to sell European mills

Reynolds Metals, the US aluminium producer, is to sell its European rolling mill operations to Germany's VAW aluminium. No price was disclosed, although Reynolds said that the deal would not have a material impact on the financial results of its ongoing business.

The operations being sold include Reynolds Aluminium Deutschland, in Hamburg; Reynolds Italy, in Cisterna; and Industria Navarra del Aluminio, in Irunzun, Spain.

Reynolds has been looking at streamlining its business, and has already sold a number of operations. It said that the latest disposal was part of the previously-announced portfolio review.

Nikki Tait, Chicago

■ BRAZIL

Sell-off to raise R$323m

Brazil will today privatise Centrais Eletricas Matogrossense (Cemat), the Mato Grosso state power company and the utility seen as having among the rosiest growth prospects in the country. Consultants to the privatisation said that Cemat's market of 490,000 consumers and 2.2m megawatt hours a year was expected to grow by 11.3 per cent a year.

Mato Grosso state is selling off 86.91 per cent of the utility's total capital, as well as 2,076 debentures for a minimum price of R$323.3m ($293.9m) at an auction on the Rio de Janeiro stock exchange.

The debentures are convertible into Cemat ordinary and preferred stock held by federal power holding Eletrobras, the investment arm of Brazil's National Development Bank.

Reuters, Rio de Janeiro

■ TELEFONICA DE ARGENTINA

Injection for mobile phone unit

Telefónica de Argentina, the Argentine telecommunications company, is to inject $60m into its 50 per cent-owned Miniphone cellular-phone company.

In a filing with the Buenos Aires Stock Exchange, Telefónica said its board approved the proposal yesterday. It did not provide further details.

The consortium of Telecom Argentina, Stet and France Telecom, which owns the other half of Miniphone, last week said it would inject $60m into the company.

The Argentine company, created during the 1990 privatisation of state monopoly EnTel, provides telecoms services for the southern half of the country. It is 54 per cent-owned by a company equally held by Telefónica de España and Argentina's CEI Citicorp Holdings.

AP-DJ, Buenos Aires

■ RETAIL

Holiday spending forecast to rise

US retailers are gearing up for Friday's official start of the holiday shopping season, hoping that strong consumer confidence and a healthy economy will mean a cheerful ring at the cash register.

Analysts and retail experts estimated that holiday spending would be up between 5 per cent and 6 per cent, a stronger pace of growth compared with a 3.7 per cent rise in sales in the 1996 season and 3.2 per cent in 1995.

"The average sales pace is going to be stronger than the last couple of years, not dramatically so but modestly so," said Michael Niemira, economist at Bank of Tokyo-Mitsubishi. "The consumer fundamentals are strong."

Traditionally, about one-third of holiday shoppers flock to the malls and stores the day after Thanksgiving, according to Dan Bethlahmy, retail marketing director for American Express.

Retailers dub the day "Black Friday" in reference to hopes for profitable black ink on the books after a robust sales day.

Reuters, Chicago

هكذا من الأصل

AMERICAS NEWS DIGEST

AT&T to sell paging unit

COMPANIES AND FINANCE: UK

Lafarge buys up 29.9% of Redland

By Andrew Taylor and Andrew Edgecliffe-Johnson in London, and David Owen in Paris

Lafarge, the French building materials group, swooped into the market yesterday to buy 29.9 per cent of Redland, hours after securing its UK rival's agreement for a £1.8bn ($3.04bn) takeover.

The purchases were made just hours after Redland directors agreed to accept an increase in Lafarge's offer from 320p to to 345p a share.

Most institutional shareholders of Redland contacted yesterday said they would accept the improved offer which they regarded as the best in the circumstances.

Redland had planned a £1bn cash hand-out to shareholders as part of its final defence document, which would have been published yesterday had it not been for the decision to support Lafarge's revised terms.

The cash was to have come from the £800m sale of 56.5 per cent of RBB, Europe's largest roof tile maker, to German minority holders. They had also signed a letter of intent to buy Redland's Asia Pacific roof tile interests for £50m.

In addition, Redland said it had been in negotiations to sell its US aggregates business for up to $1bn but declined to name the prospective purchaser.

The disposals, however, would have left Redland as a highly geared UK and French aggregates operation with no certainty of generating cash for shareholders until early next year.

Rudolph Agnew, Redland's chairman, praised the role of Robert Napier, chief executive, in the negotiations. He said: "This increased offer delivers greater value, cash and certainty to our shareholders." Mr Napier, who has been criticised by shareholders, is expected to stand down following the takeover.

Some investors, however, expressed surprise and disappointment that Redland had not been able to extract a higher price from Lafarge or potential rival bidders for parts of the group.

One of the largest said: "We think the company is worth more but that's life. Market confidence in the current management is so low that if the bid weren't there the share price would be a lot lower." Its shares yesterday rose 4½p to 339½p.

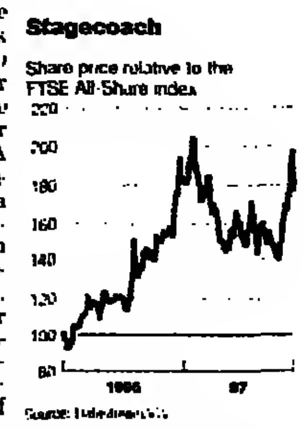
The deal will increase Lafarge's turnover by 50 per cent to about FFr60bn ($10.5bn) and raise the number of its employees to 68,000. The transaction is being financed by debt, with the result that by the end of 1997 gearing is expected to reach 95 per cent.

The French stock market welcomed the deal, with Lafarge shares climbing FFr6.60, or 1.8 per cent, to FFr380.2 – double the increase recorded by the benchmark CAC 40 index.

But analysts were divided. Jean-Hugues de Lamaze of Credit Suisse First Boston said the acquisition was "a good thing". He said the countries covered by the two groups complemented each other well. By contrast, Arend Dikkers of Salomon Brothers, said the companies had few real synergies.

LEX COMMENT

Roscos



The regulatory risk to the privatised rolling stock leasing companies (roscos) is now greater than ever with ministers backing the rail regulator's call for public accountability. A brief period of public consultation could provide a government never enamoured of rail privatisation with the pretext to introduce full price regulation. The flimsy argument for regulation is that the roscos indirectly receive public support through government guarantees of their pre-privatisation contracts with the train operating companies. This smacks of windfall-tax style retrospective legislation. These guaranteed revenues were reflected in the prices paid at privatisation. That the companies are now unexpectedly profitable because of harsh cost-cutting is a separate issue. It is also far from clear their established customer bases will translate into a dominant position in the new lease market. Only two years after privatisation, powerful global leasing companies such as GE Capital are gaining ground in the new leases market.

With the operating companies and Railtrack already regulated, tidy minds clearly see the roscos as a glaring anomaly. They should not. The roscos are different for the simple reason that they are not monopolies. If the government is really concerned about competition issues, it should instigate a thorough inquiry by competition authorities. The only thing regulatory uncertainty will achieve is to delay the very investments the government wishes to promote.

Sterling sours T&L outcome

By Maggie Urry

Tate & Lyle blamed the strength of sterling for a fall in profits in the year to September 30, and said the starch and sweeteners group was "poised to improve returns".

Pre-tax profits fell from £276.3m to £241.3m ($407.8m) before exceptional charges of £82m announced at the interim stage. The group said, however, that profits would have been £38m higher but for the effect of the higher pound on translating profits from outside the UK and the impact of green pound revaluations on the UK sugar business.

The group's US starch business suffered the lowest margins to date on its high-fructose corn syrup activities.

Larry Pillard, chief executive, said the year had presented "many challenges". There had also been £10m of start-up costs on a new European starch plant. This five-year project, the largest capital investment in the group's history, is nearing completion and Tate is expecting a 20 per cent return on the $500m expenditure when it is fully operational.

He said the group was taking "a more rigorous view on capital expenditure" to enhance shareholder value.

In North America, a record outcome from sugar, cost reduction and new product development in the Staley starch business, led to increased operating profits of £154m (£116m).

European profits fell from £153m to £96m, as the UK sugar business was affected by the strength of sterling. Elsewhere, profits fell to £16m (£31m).

Maya Kardum

Sweet touch: Larry Pillard is taking a 'more rigorous view' on capital spending

Flower power karma rules on Diageo day

By John Willman, Consumer Industries Editor

There was more than a whiff of the 1960s at the Queen Elizabeth II Conference Centre, London, yesterday when shareholders in Guinness and Grand Metropolitan brought the spirit of flower power to the proposed merger of the two companies.

Both meetings resulted in Albanian-style majorities of more than 99 per cent in favour of forming the world's largest drinks company – no doubt encouraged by the prospect of a £2.8bn pay-out to shareholders early next year.

But the 600 or so shareholders who turned up for the last meetings of the two companies before the merger seemed strangely uninterested in the finer points of shareholder value. They were more concerned about the interests of pensioners, upholding agreements with the staff and doing good for the planet.

"Both companies are big enough, strong enough and profitable enough to employ many more people," a shareholder told the GrandMet meeting after hearing the merger would cut 2,000 jobs.

George Bull, GrandMet's chairman, reassured the meeting he was as sad as anyone that the merged company would have to let anyone go.

Mr Bull joined in the spirit of the meeting by saying the mission of the new group would be to spread everyday pleasure everywhere on the globe. Hence the choice of Diageo as its name, composed of a Latin prefix (Dia, for day) and a Greek suffix (geo, for the world).

The only thing that spoilt the karma of the day was that name.

Those attending the meetings were clearly incensed that great British names were to be swept away by a neologism made up of what Mr Garnier, a Guinness shareholder, described as "two dead languages".

Tony Greener, Guinness chairman, struggled to win over his shareholders. He promised to rename the brewing subsidiary Guinness to perpetuate the name when dealing in Diageo shares starts on December 17.

Small shareholders were not impressed, shouting "rubbish" and cheering every attack on the new name. But the weight of institional proxy votes carried the day.

US clearance for Zeneca drug

By Daniel Green

The US Food and Drug Administration has cleared Zomig, Zeneca's migraine drug, for marketing in tablet form, setting the stage for a battle in this fast-growing sector.

Zomig will face the market leader Glaxo Wellcome, which is selling Imigran, and has a follow-up drug, Naramig, approved in some other countries.

Zeneca shares rose 39p to £18.27, with analysts forecasting Zomig sales of at least $250m a year by 2000.

The shares have fallen heavily in recent weeks as at least two securities houses said the company faced a gap in new product launches early next decade.

Glaxo shares rose 22p to £13.80.

Zomig is in the same class of drugs as Imigran and Naramig, 5-HT1B/1D agonists, which work by helping reverse the dilation of blood vessels in the brain that can cause migraine pain. It was developed by Wellcome before its takeover by Glaxo in 1995, when Glaxo Wellcome had to sell the drug by competition regulators as a precondition for the deal.

Zeneca estimates the global market for migraine treatment at nearly $900m, rising to $1.5bn by 2001.

Hercules underlines generosity

By Emiko Terazono

Hercules, the US speciality chemicals manufacturer which announced a £1.07bn ($1.8bn) hostile bid for Allied Colloids of the UK this week, yesterday posted its offer document to shareholders.

Hercules' timetable means Allied will now have to produce its first defence document by December 10, while the first closing date for shareholders to accept the offer will be December 17.

Hercules reiterated that its offer price of 155p a share was "generous" representing a premium of 35 per cent to the pre-speculation share price.

The document states: "As an Allied Colloids shareholder you have suffered over recent years and you should question whether this will change, given that Allied Colloids faces an uncertain outlook in an increasingly competitive environment."

The US group accused Allied's management of eroding shareholder value, saying Allied's share price had underperformed the market by 38 per cent.

It also pointed to the recent uncertainty surrounding its 1998 profits referring to recent downgrades by analysts.

Hercules stressed Allied's poor investment record in the US, and despite its investment programme, 1997 earnings per share were below those of 1995.

David Farrar, Allied's chief executive, said the figures used by Hercules were selective, and that Allied would refute the points in its defence document. It may postpone its interim results, due next Tuesday, to help with the preparation of the defence document.

Hard work and cohesiveness

Emiko Terazono on qualities that have helped make Allied Colloids what it is today

From its humble beginnings as a supplier to the textile industry in Bradford, Allied Colloids has grown to be one of the UK's leading speciality chemical companies, thanks to Yorkshire values.

David Farrar, chief executive, says it is thrift and hard work which have made Allied one of the world's leading manufacturers of polymer chemicals with pre-tax profits of £55m ($93m) and sales of £437m.

But it may be Yorkshire stubbornness which leads Mr Farrar, who has been with Allied for 27 years, to insist on the company's independence in the face of a £1.07bn hostile bid launched earlier this week by Hercules, the US speciality chemical maker.

With the company's share price underperforming the market owing to concerns over the strong pound and high raw material costs, industry analysts have long pointed to Allied as a tempting target for larger chemical groups.

Many see it highly unlikely that Allied will be able to maintain its independence, but Mr Farrar puts on a brave face: "Tha odds of a small Bradford-based company becoming a world class group were stacked against us. But we did it."

Allied has carved its niche making chemicals used in pollution control and paper-making – an area where larger groups, including Dow Chemical and ICI, tried their hand and gave up.

Shares in Allied were unchanged yesterday at 169p, comfortably ahead of the 155p a share offered by Hercules. Investors and analysts clearly expect that Hercules will be forced to raise its offer, or that other predators will enter the fray.

That said, Allied may face an uphill struggla to convince its shareholders that it can deliver more value. At present, the main plank of its defence looks likely to be its record of sales growth.

The company says its sales have grown annually by an average 11 per cent over the past 30 years, and expects to provide higher profits by maintaining the pace and keeping costs down.

It will not solicit any white knights at this stage. However, "proving the management can deliver better value within a reasonable time-frame of two to three years is difficult, given the recent track record," says Philip Morrish, analyst at Nikko Europe.

Hercules, a Delaware-based chemical group that manufactures water-soluble polymers which made operating profits of $441m last year, blames Allied's management for failing to bring value to shareholders.

It points to the 38 per cent underperformance of Allied's shares in the past three years, profit downgrades by analysts over the past six months, and a return on capital which has declined by nearly 70 per cent between 1988 and 1997.

Allied retorts that Hercules has been selective in choosing its figures. The chemicals sector has underperformed the market dua to the strong pound and higher raw material costs, says Mr Farrar. The company is now addressing the problems through hedging and forward contracts.

Returns on capital should improve, the company says, as benefits from investments over the past few years come through during this financial year and next. The group expects £5m in purchasing cost savings from CPS, its finished polymer manufacturing subsidiary bought in November 1996, says Mr Farrar.

John Harnett, finance director, admits that over the past few years, Allied had loose cost control, with costs growing at the same rate as sales. However, this was now corrected and the company was on the "right track" in keeping cost increases to less than half of any rise in sales.

Mr Farrar points out that Allied's strong Yorkshire culture has helped the company's cohesiveness, and fears that becoming part of a larger group may destroy this. "From Bradford to Brazil to Russia, it's what keeps us together," he says.

CORRECTION

David Brown

In the issue of November 25, the dollar equivalent of the £80,000 payment to John Mowinckel, non-executive director of David Brown, was incorrectly stated. The figures should have read £80,000 ($130,000).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abacus Polar	Yr to Sept 30	98.9	(98.4)	10	(8.93)	14.8†	(13.5)	4	Jan 23	3.67	6	5.5
Adam Printing ‡	6 mths to Oct 31	75.6	(55)	7.24	(5.23)	39.69†	(32.92)	4.68	Feb 7	3.12	-	7.6
Airsprung	6 mths to Sept 30	41.7	(39.4)	1.62♣	(2.52)	4.04	(6.06)	1.95	Jan 23	1.95	-	6.4
Amber Industrial	6 mths to Sept 30	12.1	(11.9)	1.71	(1.3)	6	(4.4)	1.75	Jan 13	1.75	-	5.75
Caffyns	6 mths to Sept 30	87.5	(86.3)	1.27	(0.75)	31	(17.3)	5.5	Jan 9	5	-	11.5
DBS	6 mths to Sept 30	72.6	(53.8)	0.478♣	(2.734)	0.6	(4.5)	1.4	Jan 20	1.2*	-	3.6*
Falcon	6 mths to Sept 30	3.93	(3.17)	0.469♥	(0.171)	19.8	(6.3)	3.5	Jan 21	3.5	-	7
Hampson Inds	6 mths to Sept 30	68.2	(48.5)	3.82	(2.7)	2.15†	(1.78)	0.65	Feb 23	0.6	-	2.45
Helical Bar	6 mths to Sept 30	61	(45.7)	8.82	(4.36)	16.7	(7.9)	3.5	Jan 9	3.15	-	10♦
Hellicon ◊	6 mths to Sept 30	0.872	(-)	0.104L	(-)	1.8L	(-)					
Mid Kent Hldgs	6 mths to Sept 30	21.4	(20.4)	8.37	(4.89♣)	39	(19.7)	13.2	Jan 13	12	-	30
Nursing Home Props ◊	Yr to Sept 30	11.6	(3.51)	8.2	(1.14)	8.25†	(4.44)	1.75	Jan 8	1.25	8.25	3.7
Pillar Property	6 mths to Sept 30	26.7	(21.3)	6.85	(3.19)	3.5†	(2.1)	1.8	Jan 5	1.8	-	5
Radius $	Yr to Sept 30	1.9	(1.79)	1.11L	(3.21♥)	0.5L	(2.3)					
Southern Electric	6 mths to Sept 30	799.4	(782.4)	103	(112.2♥)	16.4‡‡	(17.1)	7.1	Mar 3	6.45*	-	21.5*
Tate & Lyle	Yr to Sept 27	4,551	(5,160)	152.3♣	(276.3)	22.8	(40.5)	11.7☆	Feb 6	11.7	18.325☆	17
Tinsley Robor	6 mths to Sept 30	26.3	(24.9)	2.71	(1.81)	4.8	(3.9)	1.1	Jan 30	0.8	-	2.8
Trifast	6 mths to Sept 30	37.5	(27.7)	4.04	(3.27)	16.4	(13.1)	3.75	Jan 28	3.33	-	10
Vendôme Luxury §	6 mths to Sept 30	1,857	(1,337)	278.2	(214.7)	0.286	(0.227)	0.115§	Jan 30	0.095	-	0.296

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Private Equity	Yr to Sept 30	108.2	(94.1)	0.273	(0.197)	1.1	(0.8)	-	-	-	-	1.2
Gartmore European	6 mths to Sept 30	259.1	(208.9)	0.746	(0.38)	1.58†	(2.16)	1.5☆☆	Jan 30	1.5	1.5☆☆	1.5
Jupiter Extra Inc	Yr to Sept 30	148.65	(118.15)	2.95	(3.76)	7.9	(10.15)	1.9675	Dec 5	1.9675	7.875	7.875

Earnings shown basic. Dividends shown net except §Gross throughout. Figures in brackets are for corresponding period. ‡Irish currency. ♣After exceptional charge. ♥After exceptional credit. †On increased capital. *Adjusted for scrip issue. ♦For 14 months. ◊Aim stock. $US currency. ‡‡Excludes windfall tax. ‡On reduced capital. ¶Foreign income dividend. §Swiss currency. ☆☆Includes FID element.

INTERNATIONAL CAPITAL MARKETS

Little appetite for Bund auction

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Government bond markets succumbed to a bout of profit-taking in quiet trading yesterday, in spite of the continuing turmoil in east Asia.

Phyllis Reed, director of Barclays Capital, said she thought a "turnround in interest rate expectations" in continental Europe was near.

"The argument that interest rates will converge at the lowest level post-Emu is going to run out of steam when people start looking at the growth rate numbers in Germany," she added.

Certainly, there was limited appetite for yesterday's auction of 10-year GERMAN BUNDS. The Bundesbank sold DM8bn of securities but demand was lukewarm and that sent the cash market lower during the morning. In the futures market, the December contract settled 0.05 down at 103.72.

"It would be a brave man that went under-weight in Germany just now, given the uncertainty in Asia," said Ceris Williams, head of fixed income at Rothschild Asset Management. "But on a longer term basis, we would think it looks over-valued."

UK GILTS marginally outperformed Bunds, with the yield spread narrowing by one basis point to 116 points, as the market recovered from early losses on the back of a relatively firm US Treasury market. The December contract settled $\frac{3}{32}$ lower at 118$\frac{13}{32}$, which was $\frac{13}{32}$ off the day's low.

However, ITALIAN BTPs continued to buck the trend. The December contract settled 0.10 higher at 113.6, and helped support the Spanish market. Speculation over interest rate cuts continued to dominate trading.

US TREASURY investors were greeted with several new economic reports yesterday, as the bond market prepared for an early close before the Thanksgiving Day holiday today.

Gross domestic product for the third quarter was revised downward to 3.3 per cent growth from a previous estimate of 3.5 per cent.

By midday the 30-year Treasury was down $\frac{1}{32}$ to 100¼, yielding 6.057 per cent. Ten-year notes fell ¼ to 101⅝, yielding 5.859 per cent, and two-year notes were $\frac{1}{32}$ lower at 99$\frac{27}{32}$, yielding 5.726 per cent. The Federal Funds rate was at 5% per cent.

"We had a flurry of economic reports that were pretty much shrugged off by the market," said William Gamba, manager of bond trading at Cowen & Co in New York. "Activity is dwindling as the day goes on," he added.

Durable goods orders for October fell by an unexpected 0.3 per cent, after rising 0.1 per cent in September. Analysts had expected a rise of 1 per cent.

Separately, the Chicago Purchasing Management report showed its index of business activity had fallen to 59.5 in November from a reading of 56 in October. Although the index rose, it was still below levels reached during the summer months.

Korean ratings reduced by S&P

By Edward Luce

Standard & Poor's, the New York-based credit rating agency, yesterday downgraded South Korea's sovereign credit rating by two notches to A minus, citing a "rapid deterioration in Korea's financial position".

The agency, which also cut the ratings on Korean Development Bank, Export-Import Bank of Korea, and Industrial Bank of Korea by an equivalent amount, put South Korea on negative CreditWatch. This implies the next rating move will also be downwards.

S&P said it would watch the nature and extent of assistance to South Korea over the next few months and the outcome of its presidential elections on December 18. However, the outlook remained bleak. It said: "Eroding investor confidence is intensifying liquidity pressures which will cause an even greater deterioration in corporate and bank credit quality than previously foreseen."

Meanwhile, Moody's Investors Service is reviewing the credit ratings of five Japanese banks: Long-Term Credit Bank of Japan, Nippon Credit Bank, Mitsui Trust, Yasuda Trust, and Chuo Trust. It warned that changes in Japan's regulatory environment would reduce the level of public support for private sector banks and force them to recognise unrealised losses.

"A growing government deficit and potential public resistance to a government-financed resistance could impede the authorities' ability to resolve solvency problems facing the banking sector," it said.

CAPITAL MARKETS NEWS DIGEST

Sanwa Finance HK loan shelved

Sanwa Bank has shelved syndication of a HK$500m loan it was arranging for Sanwa Finance Hong Kong, because of the poor market conditions. The postponement highlights the turmoil in Asian markets and the consequent reluctance to lend – a trend further exacerbated by the year-end tendency to reduce activity.

Sanwa Finance Hong Kong, 80 per cent owned by Sanwa Bank, launched its three-year deal in mid-October, before a second round of speculative attacks on the Hong Kong dollar. The attacks were fended off by the Hong Kong authorities but at the cost of soaring interbank interest rates, which have eaten into banks' margins. Rises in prime lending rates have failed to keep pace.

The three-year loan offered a margin of 49 basis points over Hong Kong interbank offered rates. While three-month Hibor fell to 10 per cent yesterday, it was pushed above 14 per cent after October's assault on the currency.

Separately, Japanese banks are seeing a heavier premium being attached to their interbank lending following the failure of Yamaichi Securities – although in the thinly-traded Hong Kong market the premium is less exaggerated than in London or New York. Bankers expect very few borrowers to brave the debt markets until the new year, reflecting the retreat of investors following the market turmoil. *Louise Lucas, Hong Kong*

UK GILT FUTURES

Liffe to launch five-year contract

The London International Financial Futures and Options Exchange will launch a futures contract on five-year UK gilts as part of its preparations for European economic and monetary union. The new contract, to be launched in the first quarter of 1998, will help Liffe expand its product range in the run-up to the single European currency.

Liffe also announced other measures designed to boost trading in its key contracts. The notional coupon on the long gilt future will be reduced from 9 per cent to 7 per cent, bringing the price closer to par, from around 119. Contracts on short-term interest rates will be convertible to euros. However, this will be on a "voluntary" basis, to offer traders flexibility. *Samer Iskandar*

PROJECT FINANCE

Oman LNG facility signed

A $2bn project finance facility for a liquefied natural gas plant in Oman has been signed, after 20 months of discussions. The loan is the country's largest and involves 27 Arab and international banks. A second, limited, syndication to Omani banks raised commitments for $75m.

The multi-tranche financing includes facilities of up to 12.5 years, with repayments starting in 2001. Some of the tranches are guaranteed by export finance agencies from the UK, Spain, the US and the Netherlands. Participating banks did not divulge pricing details. *Samer Iskandar*

Italian welcome for Argentina

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

Italian retail investors yesterday gave Argentina a warm reception for the first emerging market international bond offering since October 23. Miguel Kiguel, undersecretary of finance for Argentina, said the enthusiastic investor response had persuaded him to increase the L250bn deal to L300bn.

However, officials at Chase Manhattan, joint lead with Paribas, warned that yesterday's deal was "unlikely to open the floodgates" to many more emerging market issues before the year-end. The offering was Argentina's 12th lira-denominated bond but its first short-dated issue in lira for some time.

Officials said that at a spread of 269 basis points over the Italian swaps rate, the bond was priced roughly 100 basis points higher than it would have been prior to the global markets crisis.

The offering, which was sold out, tightened to a spread of around 280 basis points over swaps after launch. Officials attributed most of the demand to Italian retail investors. "There is a general shortage of paper at the three-year end of the lira market," said one.

Paribas, joint lead manager, said the transaction saved the borrower 40 to 50 basis points compared with a dollar-denominated issue. A syndicate official also said it would have been "probably impossible to get the deal done in dollars".

Yesterday's issue leaves Argentina with just $150m to raise in 1997. Although Argentine officials would not comment on the timing of the next issue, traders believe it could arrive before the year-end. "Argentina pre-funded some of its 1997 commitments at the end of 1996," said one.

MERRILL LYNCH targeted a new investor base, mainly insurance companies, by launching its longest-dated sterling bond, comprising £200m of 10-year notes. Previous deals, with five-year maturities, had been mainly sold to retail investors and fund managers.

A syndicate official said that Merrill's bid last week to buy fund managers Mercury Asset Management for £3bn had raised the US investment bank's profile among institutional investors in the UK.

Merrill, which led the issue, said the launch was a success, with the spread tightening by a couple of basis points from its launch level of 75 points over gilts.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
MLCC M'gage Invstrs(a)*‡	306.068	(a1)	100.00R	Mar 2011	0.25R	-	Merrill Lynch
Suedwest Landesbank*	175	3.40#(s)	92.95	Sep 2001	1.25	-	Nikko Europe
PG&E, Class A1(b1)*	125	5.94	99.99658	Sep 2000	0.21	+5(EDSF)	Morgan Stanley DW
PG&E, Class A2(b2)*	265	6.01	99.99664	Jun 2001	0.30	+5(EDSF)	Morgan Stanley DW
PG&E, Class A3(b3)*	280	6.15	99.98875	Jun 2002	0.35	+48(5½Oct99)	Morgan Stanley DW
PG&E, Class A4(b4)*	300	6.15	99.97709	Jun 2003	0.45	+48(5¾Nov01)	Morgan Stanley DW
PG&E, Class A5(b5)*	290	6.25	99.98630	Jun 2004	0.45	+48(5¾Nov01)	Morgan Stanley DW
PG&E, Class A6(b6)*	375	6.32	99.95917	Sep 2005	0.50	+58(5¾Oct02)	Morgan Stanley DW
PG&E, Class A7(b7)*	865	6.42	99.96876	Sep 2008	0.55	+60(7¼Nov04)	Morgan Stanley DW
PG&E, Class A8(b8)*	400	6.48	99.99358	Dec 2009	0.65	+63(6½Oct06)	Morgan Stanley DW
D-MARKS							
Hellenic Republic(c)‡	250	(c1)	99.42R	Nov 2002	0.30R	-	DKB
STERLING							
Merrill Lynch	200	7.375	99.556R	Dec 2007	0.45R	+75(7¼%-07)	Merrill Lynch
SWISS FRANCS							
Abbey National Tsy Srvcs(d)	100	2.00	97.275R	Aug 2001	0.160R	-	Deutsche Morgan G'fell
ITALIAN LIRE							
Republic of Argentina	300bn	8.00	99.90R	Dec 2000	0.50R	+269(swaps)	Chase Manhattan/Paribas
LW Rentenbank(e)‡	150bn	(e1)	99.50R	Jan 2010	0.375R	-	Credito Italiano
EIB(f)‡	100bn	(f1)	99.90R	Dec 2009	1.345R	-	Cariplo/Cariplo/JPM
GUILDERS							
L-Bank	200	5.125	99.521R	Dec 2003	0.275R	+12(6¾Apr03)	ING Barings

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 1997-8 mortgage loan asset-backed pass-through certificates. Legal maturity: Mar 2026. Average life: 5.34 yrs. Plus 22 days accrued. a1) 1-mth Libor +28bp. b) California Infrastructure and Economic Development Bank Special Purpose Trust, Pacific Gas and Electric Co. Series 97-1. b1) Av life: 0.56 yrs. b2) 1.09 yrs. b3) 2.00 yrs. b4) 3.01 yrs. b5) 4.02 yrs. b6) 5.17 yrs. b7) 7.31 yrs. b8) 9.48 yrs. c) DM1bn launched 17/11/97 increased to DM1.25bn. c1) 3-mth Libor +37½bp. d) Fungible with SFr400m. Plus 146 days accrued. e) Callable from Jan 01 at par. e1) 13% to Jan 99, then 16% - 2 x 12-mth Libor thereafter. f) European Investment Bank. Launched 21/11/97, increased to L500bn. f1) 12% to Dec 98, then 7½% to Dec 2002, then 15½% - 2 x 12-mth Libor thereafter. g) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

[illegible]

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	100.08	100.03	-0.08	100.14	99.88	70,803	109,144
Mar	99.58	99.56	-0.08	99.60	99.40	2,785	29,814
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2	12

LONG TERM FRENCH BOND OPTIONS (MATIF) — [illegible]

Germany — NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%; BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%; NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%; NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100% — [illegible]

Italy — NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%; ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100% — [illegible]

Spain — NOTIONAL SPANISH BOND FUTURES (MEFF) — [illegible]

UK — NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%; LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% — [illegible]

Ecu — ECU BOND FUTURES (MATIF) ECU100,000 — [illegible]

US — US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% — [illegible]

Japan — NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% — [illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Nov 25	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	103.9170	6.25	-0.01	-0.08	+0.45
NY Tel	08/25	7.00	A+	97.9483	7.17	-0.02	-0.04	+1.11

[illegible]

Source: Interactive Data/FT Information.

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

Nov 26	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	101.4200	5.55	+0.02	-0.17	+0.07
Spain	01/07	5.750	AA	100.7900	5.63	+0.01	-0.19	-0.15
Philip Morris	03/04	5.375	A	99.0400	5.63	+0.01	-0.13	-0.37

[illegible]

Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

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CURRENCIES AND MONEY

D-Mark dips before Thanksgiving

MARKETS REPORT

By Simon Kuper

The D-Mark slid yesterday after breaking through key technical levels. The yen held firm against the dollar, as panic over Japanese banks faded somewhat. But trading was light ahead of today's Thanksgiving holiday in the US.

Hiroshi Mitsuzuka, Japanese finance minister, and Yasuo Matsushita, governor of the Bank of Japan, issued a joint statement appealing for calm among the public and in the markets, saying that there were no more major bankruptcies ahead among financial institutions. The Yamaichi brokerage had collapsed this weekend, and Tokuyo City Bank, a small regional outfit, fell yesterday. Ryutaro Hashimoto, prime minister, emphasised that the authorities' mission was to protect depositors, investors and the financial system, not to rescue failed institutions.

The comments boosted Japanese shares. However, Carl Weinberg, chief economist at High Frequency Economics in New York, predicted that Tokyo would take advantage of the thin markets over the long Thanksgiving weekend to close another institution.

The dollar shrugged off a slight downward revision to third-quarter US gross domestic product, and a surprise fall in durable goods orders for October.

The busiest exchange rate yesterday was D-Mark/yen, with the yen breaking through resistance at Y72.60. The D-Mark's fall against the yen pushed it through the key DM1.7520 level against the dollar.

Nick Parsons, currency strategist at Paribas Capital Markets in London, said the yen had been inclined to bounce against the D-Mark because almost the entire market was short the Japanese currency. "Even dumb investors, even the slowest of the slow, are short of yen by now," he said. Few traders wanted to leave for Thanksgiving with heavy long positions, so they were quick to take profits on the D-Mark's recent rise against the yen.

The D-Mark fell 1.5 pfennigs against the dollar to DM1.759 and Y0.74 against the yen to Y72.40. The dollar was barely changed against the yen at Y127.4.

The South Korean won rose 1 per cent after 8 local merchant banks were forced to sell their foreign currency assets and the government announced a package to stabilise the stock market and interest rates.

■ Pound in New York

Nov 26	Latest	Prev. close
£ spot	1.6735	1.6770
1 mth	1.6710	1.6744
3 mth	1.6664	1.6698
1 yr	1.6450	1.6488

Dollar

Trade-weighted index

Source: Datastream/ICV

■ Sterling continued its recent slide against the dollar, triggering stop-loss orders after breaking through the $1.6850 level on Tuesday. Mr Parsons noted that Gordon Brown, the UK chancellor, had lowered his economic growth forecasts in Tuesday's pre-Budget statement.

A widening in the UK trade gap in September also damaged sentiment. The doubling in the trade deficit to £1.25bn from August was seen as a sign that the 24 per cent rise in sterling since August 1996 had finally begun to do damage. Ravi Bulchandani, senior currency economist at Morgan Stanley in London, said: "For this stage of the cycle, exports are still doing much better than expected." But Mr Parsons said that even if the monthly trade deficit did not grow further, next year's current account deficit would far exceed Mr Brown's forecast of £7.25bn.

The pound dropped 1 cent against the dollar to $1.671, but rose a pfennig against the D-Mark to DM2.940.

■ OTHER CURRENCIES

Nov 26	£	$
Czech Rp	57.1262 - 57.2067	34.1950 - 34.2280
Hungary	333.034 - 333.260	199.350 - 199.390
Iran	5014.20 - 5011.80	3000.00 - 3000.00
Kuwait	0.5077 - 0.5083	0.3039 - 0.3041
Poland	5.8839 - 5.8957	3.5220 - 3.5280
Russia	9896.63 - 9903.36	5924.00 - 5925.00
U.A.E.	6.1356 - 6.1354	3.6727 - 3.6732

■ The Australian and New Zealand dollars have yet to suffer the full impact of the Asian devaluations, says David Abramson of the Bank Credit Analyst Research Group in Montreal.

Both currencies have fallen against the US dollar, but they have soared relative to the stricken Asian currencies, which represent one of their key trade regions. But that is just the start of it. Another problem for the Australasians is that Asia, as a labour-intensive area, is a heavy user of commodities. The likely decline in this use would be a particular blow for Australia and New Zealand.

Furthermore, the Australian dollar, after a phase of fiscal restraint and with interest rates below US levels, was in no shape to withstand attacks. New Zealand rates are high - more than 7 per cent - but the economy cannot sustain such levels, says Mr Abramson.

POUND SPOT FORWARD AGAINST THE POUND

Nov 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.6903	+0.0672	812 - 993	20.7135	20.5422	20.6207	4.0	20.4989	3.7	19.9865	3.4	102.5
Belgium	(BFr)	60.6390	+0.1947	144 - 635	60.6800	60.2340	60.4242	4.3	60.0549	3.9	58.5512	3.4	102.1
Denmark	(DKr)	11.1927	+0.0372	883 - 970	11.2016	11.1416	11.1566	3.9	11.0924	3.6	10.8378	3.2	104.5
Finland	(FM)	8.8785	+0.0317	722 - 847	8.8847	8.8190	8.8459	4.4	8.792	3.9	8.5795	3.4	81.0
France	(FFr)	8.8409	+0.0316	377 - 440	9.8488	9.7978	9.8083	4.2	9.7448	3.9	9.4938	3.5	105.6
Germany	(DM)	2.9398	+0.0096	388 - 410	2.9427	2.9263	2.9298	4.1	2.912	3.8	2.8373	3.5	103.3
Greece	(Dr)	461.138	+1.798	919 - 357	461.489	458.789	464.49	-8.7	470.307	-8.0	490.796	-6.4	65.7
Ireland	(I£)	1.1285	+0.0021	263 - 306	1.1308	1.1250	1.1276	1.0	1.1248	1.3	1.1042	2.2	97.5
Italy	(L)	2880.89	+8.17	928 - 250	2883.17	2859.56	2878.03	1.2	2870.76	1.4	2817.8	2.2	76.0
Luxembourg	(LFr)	60.6390	+0.1947	144 - 635	60.6800	60.2340	60.4242	4.3	60.0549	3.9	58.5512	3.4	102.1
Netherlands	(Fl)	3.3135	+0.011	121 - 149	3.3161	3.2979	3.3018	4.2	3.2818	3.9	3.1976	3.5	101.5
Norway	(NKr)	12.0212	+0.0851	166 - 257	12.0296	11.9110	11.9803	4.1	11.9108	3.7	11.6424	3.2	98.8
Portugal	(Es)	300.362	+0.897	207 - 518	300.568	298.960	299.749	2.4	298.444	2.6	291.799	2.9	91.7
Spain	(Pta)	248.494	+0.813	402 - 587	248.620	247.300	247.988	2.4	246.883	2.6	241.391	2.9	78.9
Sweden	(SKr)	12.8946	+0.1075	873 - 018	12.9111	12.7964	12.8603	3.2	12.8015	2.9	12.5945	2.3	85.3
Switzerland	(SFr)	2.3688	+0.0006	674 - 702	2.3746	2.3613	2.3565	6.2	2.3359	5.5	2.2431	5.3	108.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.1
Ecu	-	1.4844	+0.0057	837 - 850	1.4854	1.4775	1.4803	3.3	1.4732	3.0	1.4414	2.9	-
SDR†	-	1.233380	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6708	-0.0097	701 - 711	1.6790	1.6696	-	-	-	-	-	-	-
Brazil	(R$)	1.8545	-0.0115	539 - 551	1.8632	1.8535	-	-	-	-	-	-	-
Canada	(C$)	2.3803	-0.0029	793 - 812	2.3903	2.3720	2.3729	3.7	2.3598	3.4	2.3083	3.0	82.5
Mexico	(New Peso)	13.7156	-0.1301	039 - 272	13.7862	13.7039	13.888	-15.1	14.2073	-14.3	15.5518	-13.4	-
USA	($)	1.6710	-0.0095	706 - 714	1.6792	1.6698	1.6684	1.8	1.6638	1.7	1.6425	1.7	107.2
Pacific/Middle East/Africa													
Australia	(A$)	2.4468	-0.0063	453 - 482	2.4525	2.4384	2.4415	2.6	2.4308	2.9	2.3855	2.5	87.8
Hong Kong	(HK$)	12.9177	-0.0734	137 - 218	12.9802	12.9087	12.922	-0.4	12.991	-2.3	13.2973	-2.9	-
India	(Rs)	64.4505	+0.0663	849 - 160	64.8890	64.3690	-	-	-	-	-	-	-
Israel	(Shk)	5.9127	-0.0278	044 - 209	5.9236	5.9044	-	-	-	-	-	-	-
Japan	(Y)	212.844	-1.479	751 - 936	214.490	212.030	211.529	7.4	208.904	7.4	187.754	7.1	120.2
Malaysia	(M$)	5.8569	-0.0051	471 - 666	5.9030	5.8351	5.8533	0.7	5.8724	-1.1	6.0056	-2.5	-
New Zealand	(NZ$)	2.7024	-0.0184	002 - 045	2.7211	2.6985	2.7018	0.3	2.7007	0.3	2.698	0.2	106.7
Philippines	(Peso)	57.9838	-0.1618	863 - 812	58.4490	57.8863	58.5101	-10.9	59.9852	-13.9	65.072	-12.2	-
Saudi Arabia	(SR)	6.2673	-0.0359	656 - 689	6.2980	6.2629	6.2598	1.4	6.2461	1.4	6.1759	1.5	-
Singapore	(S$)	2.6669	-0.0152	654 - 684	2.6831	2.6626	2.672	-2.3	2.6688	-0.3	2.6482	0.7	-
South Africa	(R)	8.1118	-0.0365	074 - 163	8.1525	8.1074	8.1737	-9.1	8.2699	-7.8	8.6596	-6.8	-
South Korea	(Won)	1854.81	-30.29	437 - 525	1884.39	1845.69	-	-	-	-	-	-	-
Taiwan	(T$)	54.1329	-0.4918	041 - 617	54.6249	54.1041	54.0678	1.4	53.9537	1.3	53.3961	1.4	-
Thailand	(Bt)	66.5894	-0.513	899 - 889	66.8160	59.2170	66.9623	-6.7	67.3091	-4.3	69.6033	-4.5	-

† Rates for Nov 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling Index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.3820	+0.11	795 - 844	12.3850	12.2680	12.3594	2.2	12.3205	2.0	12.162	[illegible]	[illegible]
Belgium	(BFr)	36.2890	+0.321	830 - 950	36.3100	35.9350	36.2163	2.4	36.095	2.1	[illegible]	1.6	[illegible]
Denmark	(DKr)	6.6982	+0.06	972 - 992	6.7025	6.6452	6.6869	2.0	6.6669	1.9	6.5352	[illegible]	[illegible]
Finland	(FM)	5.3133	+0.0489	108 - 157	5.3163	5.2729	5.3019	2.8	5.2843	[illegible]	5.2733	1.7	[illegible]
France	(FFr)	5.8882	+0.0521	887 - 897	5.8932	5.8440	5.8775	2.4	5.857	[illegible]	5.7736	1.9	[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£
Belgium	(BFr)	100	18.46	16.23	4.848	1.861	4751	5.464	19.82	495.3	409.8	21.26	3.906	1.649
Denmark	(DKr)	54.18	10	8.792	2.627	1.008	2574	2.961	10.74	268.4	222.0	11.52	2.116	0.893
France	(FFr)	61.62	11.37	10	2.987	1.147	2927	3.367	12.22	305.2	252.5	13.10	2.407	1.016

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

COMMODITIES AND AGRICULTURE

Opec seen likely to lift production ceiling

By Robert Corzine in Jakarta and Gary Mead in London

Saudi Arabia is reported to have made progress in persuading the Organisation of Petroleum Exporting Countries to agree to a substantial increase in the group's production ceiling of just over 25m barrels a day.

Opec oil ministers meeting in the Indonesian capital began their deliberations yesterday, although the production ceiling and the level of individual national quotas were not on the agenda during their first, brief formal meeting.

Crude oil futures weakened on the news from Opec and on figures from the American Petroleum Institute showing US heating oil stocks had risen last week to 14.7m barrels more than a year earlier. The January contract on the New York Mercantile Exchange was down 59 cents at $19.14 a barrel around midday. On London's International Petroleum Exchange, January Brent fell 63 cents in late trading, to $18.46.

Opec delegates said consultations between member states had revealed a growing recognition that the group could expand output without triggering a steep price fall. But support for an increased ceiling is not universal, with some countries still harbouring doubts. Other delegates claimed most of the differences that have emerged so far are over the size of any increase.

Saudi Arabia, the world's biggest exporter, is thought to favour an increase to about 27.5m b/d. This would bring Opec's ceiling more into line with current production, which has been estimated as high as 28m b/d. Such a rise would lift the Saudi quota from 8m b/d to around 8.8m b/d.

However, Opec countries producing at capacity (and often above quota) and unable to bring new supplies on stream in the short term would gain nothing. Neither would countries struggling to meet their quota.

Sceptics fear a formal increase in the ceiling could undermine prices. They also say changes to the ceiling and quotas in the past led to squabbling among members for bigger allocations. But one delegate said no member had raised the issue of special treatment, and a pro rata increase had "more or less been accepted."

Saudi representatives are said to be arguing that the strength of worldwide oil demand means the markets could easily absorb higher output from the Kingdom and other Gulf producers with spare capacity, such as Kuwait and the United Arab Emirates.

Saudi estimates show global oil demand in 1998 rising by 2m b/d or more, with non-Opec producers unable to supply more than 1m b/d of that. A number of non-Opec fields are due to begin producing in 1998, but supporters of a higher Opec ceiling say such fields will be phased in throughout the year, allowing increased Opec supplies to find a market. They also believe demand is sufficient to accommodate an expanded Iraqi oil-for-food programme.

The range of estimates of demand for Opec oil next year starts at about 26.5m b/d, and goes to a high of about 28.5m b/d.

Abdullah Al Attiyah, Qatar's energy minister and current president of the Opec conference, yesterday confirmed that the group would spend time over the next few days assessing the impact of Asia's recent financial turmoil on demand for oil.

Coffee perks up on fund buying

MARKETS REPORT

By Gary Mead

Investment fund buying yesterday helped coffee futures regain a little lost ground on the London International Financial Futures Exchange, the day's early low point of $1,585 a tonne tempting a return to the market.

The January contract eventually closed at $1,633 a tonne, $30 higher than the previous close, with greater volume than seen recently, at 6,220 lots.

The severity of the drought in Indonesia, caused by the latest El Niño weather pattern – a periodic warming of the tropical Pacific Ocean by a few degrees that reverberates globally – was felt in the market. There were indications that Indonesian exporters had bought Vietnamese robusta beans in order to cover shortfalls.

The Brazilian coffee-producing state of São Paulo said yesterday it would invest the equivalent of $360m in the coffee industry over the next fives years, adding 50,000 hectares to the current 230,000 hectares under production.

Cocoa futures continued to be stuck in a tight trading range amid healthy supply reports, although the March contract on Liffe closed £4 higher, at £1,027 a tonne.

On the London Metal Exchange zinc managed to recover in the afternoon from its early low of $1,140 to close up $14 at $1,167 a tonne.

Copper ended at $1,884 a tonne, $11 higher, in spite of continuing nervousness over the implications of Asian financial turmoil for economic growth and demand for the more important base metals.

The new offshoot is confident of the metal's medium-term future, writes **Kenneth Gooding**

Anglogold puts brave face on drop in prices

By one of those remarkable coincidences, the day after Anglo American Corporation of South Africa announced it was to put all its gold operations into a new group that would be the world's "biggest and best" producer, gold's price fell decisively below $300 an ounce for the first time in 12½ years.

Bobby Godsell, chief executive of the new Anglo vehicle, called Anglogold, smiled ruefully yesterday and admitted that he and the other executive directors had good reason to be nervous.

In future their pay and bonuses will depend on Anglogold's performance – whereas in the past they have been employees of Anglo, which has a much wider spread of interests.

"The plans for Anglogold are bold, particularly against the background of a weak gold price," he said. "They bear witness to our continued belief in gold as both a source of adornment and a store of value."

Mr Godsell is no gold bull, but he does put forward strong arguments in favour of the precious metal and those who produce it.

"Hundreds of millions of individuals, particularly in the world's developing economies, clearly share our belief," he said.

"For example, it is estimated that 53m Indians purchased one item or more of gold jewellery last year, consuming more than 15m ounces of gold."

While worries about central banks selling their gold reserves had hit the price hard, Mr Godsell said that in the medium term he was confident institutional gold holdings would stabilise.

"In a global economy with only one reserve currency, prudent reserve management requires some level of gold reserves," he said. "This is particularly true of nations which, for policy reasons, choose not to hold 100 per cent of their reserves in US dollars.

"The central banks of such nations have been increasing their gold holdings. When this happens, continued rising jewellery demand, combined with constrained production, must be reflected in the price."

Mr Godsell said if the gold price stayed down at present levels, Anglogold would cut its costs further. In the past two years, since a new management took a fresh approach to the gold mines managed by Anglo American, there had been a switch of emphasis, away from volume and reclaiming every ounce of gold, to value, and bringing out only profitable ounces.

"We have put in management systems that show managers right down the line whether they are making or consuming money."

Like much of the South African gold mining industry, Anglogold had more flexibility to fine tune production in its deep underground mines than rivals in Australia and North America that usually mined open pits. By concentrating on areas with more gold in the ore, "we can mine less and still make profits".

Mr Godsell predicted that the sustained period of low gold prices would shut down those companies at the high end of the cost curve.

Anglogold's cash costs of production do not look impressive compared with some of its big rivals, and are currently $280 an ounce. But he insisted that cash costs were not the whole story.

"Total costs, or break-even price, must be considered. As most of the operations forming Anglogold have been in existence for many years and have between 15 and 20 years of life left, the amortisation charge relative to other operations in the world is low.

"This, coupled with the fact that the company has virtually no debt of any consequence to service, results in total production costs that are only some $30 higher than cash costs."

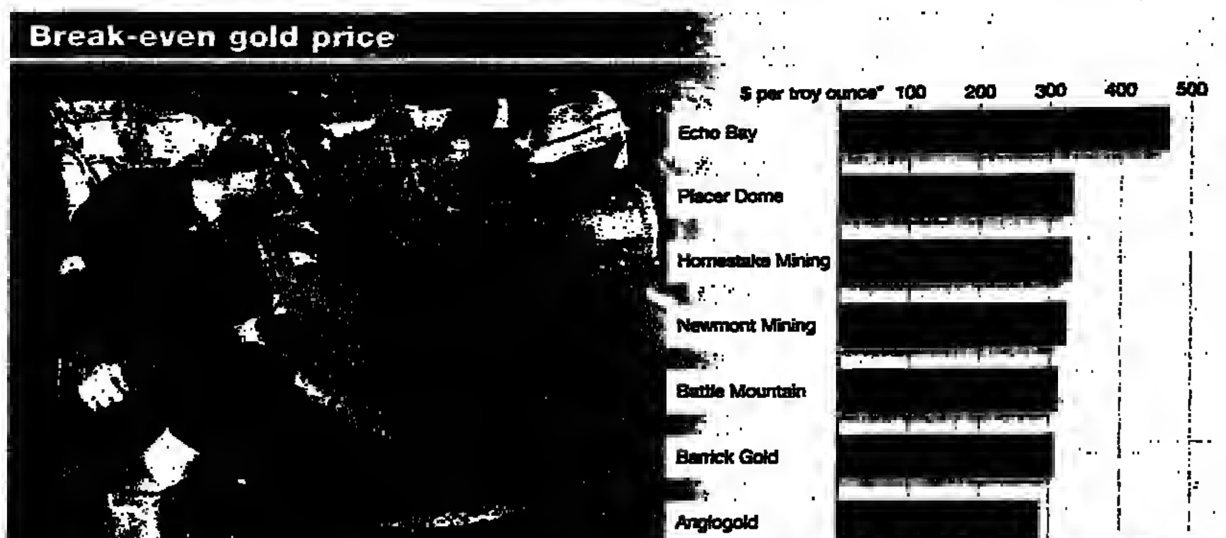
In any case, Anglogold was taking measures to reduce costs at its big Freegold and Vaal Reefs mines. Cash costs would immediately fall to $260 when these were completed and to $255 with the inclusion of the mines the group hoped to buy from JCI, another South African resources company.

Mr Godsell promised: "Plans are under way to rationalise service and overhead costs, which should effect a further reduction. The intention is to unlock geological, operational and infrastructural synergies and to discontinue life-lines to ailing [mine] shafts. Consequently, only quality production units are being included in Anglogold. Within two years, when the envisaged synergies become effective, we expect cash costs to fall below $250 an ounce."

Anglo American will own more than 40 per cent of Anglogold, which will weld together South Africa's Freegold, Vaal Reefs, Western Deep Levels, Elandsrand, Ergo, Western Areas and Joel gold mines with Sadiola in Mali and Navachab in Namibia. Offers will be made to shareholders based on recent market prices and Mr Godsell said he hoped the process would be completed in six months. Anglogold also hopes to acquire the gold operations of Minorco, a Luxembourg listed Anglo American associate, which is an important international presence.

The balance sheet would reflect turnover of more than $2bn ($2.3bn with the JCI companies), net assets of $1.7bn ($2.5bn with the JCI assets), and cash resources of more than $200m.

Break-even gold price



COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1581-2	1603-4
Previous	1567-9	1595-6
High/low		1606/1595
AM Official	1577-78	1600-01
Kerb close		1606-7
Open int.	n/a	
Total daily turnover	n/a	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1445-50	1460-65
Previous	1435-40	1452-55
High/low		1465/1455
AM Official	1440-45	1457-59
Kerb close		1462-5
Open int.	n/a	
Total daily turnover	n/a	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	535-6	552-3
Previous	536-7	553-4
High/low		555/545
AM Official	530-1	548-9
Kerb close		554-55
Open int.	n/a	
Total daily turnover	n/a	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6210-20	6305-10
Previous	6145-55	6240-45
High/low		6290/6235
AM Official	6170-75	6275-80
Kerb close		6305-10
Open int.	n/a	
Total daily turnover	n/a	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5830-40	5755-60
Previous	5785-95	5730-35
High/low		5775/5735
AM Official	5815-20	5735-40
Kerb close		5760-70
Open int.	n/a	
Total daily turnover	n/a	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1143-5	1166-7
Previous	1138-9	1164-5
High/low		1169/1140
AM Official	1127.5-28	1153-54
Kerb close		1167-8
Open int.	n/a	
Total daily turnover	n/a	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1856.5-8.5	1883-85
Previous	1842-4	1870-71
High/low		1896/1869
AM Official	1866-67	1894-94.5
Kerb close		1883-4
Open int.	n/a	
Total daily turnover	n/a	

■ LME AM Official £/$ rate: 1.6735
LME Closing £/$ rate: 1.6705

Spot: 1.6743 3 mths: 1.6671 6 mths: 1.6604 9 mths: 1.6532

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	84.05	+0.15	85.00	83.50	11,064	13,774
Jan	84.80	-0.05	85.60	84.50	1,258	2,419
Feb	85.65	+0.20	86.00	85.10	99	1,658
Mar	86.05	+0.20	86.50	85.30	10,864	26,825
Apr	86.55	+0.20	56.10	85.10	24	1,451
May	86.70	+0.15	67.30	86.20	139	4,486
Total					23,731	88,411

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	297.10-297.50		
Opening	297.60-298.00		
Morning fix	297.00	177.663	421.502
Afternoon fix	297.00	177.525	420.493
Day's High	297.60-298.00		
Day's Low	295.00-295.50		
Previous close	301.80-302.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ......3.61 6 months 3.70
2 months ......3.56 12 months 3.64
3 months 3.58

Silver Fix	p/troy oz.	US cts equiv.
Spot	313.20	523.50
3 months	316.55	526.85
6 months	319.15	528.80
1 year	324.60	533.65

Gold Coins	$ price	£ equiv.
Krugerrand	306-309	183-186
Maple Leaf	-	-
New Sovereign	70-73	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	296.9	-3.6	301.0	295.1	37,007	14,526
Jan	297.5	-3.7	310.0	310.0	4	11
Feb	298.6	-3.7	302.5	297.0	43,687	96,654
Apr	300.5	-3.8	303.7	298.0	1,757	10,894
Jun	302.5	-4.0	303.9	301.5	899	11,963
Aug	304.6	-4.1	305.6	303.7	47	4,906
Total					84,021	192,931

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	383.3	+3.5	384.0	373.0	2,704	10,808
Apr	379.9	+3.8	380.0	374.0	446	2,241
Jul	376.9	+3.8	378.0	378.0	10	102
Total					3,166	13,151

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	208.50	+2.40	209.00	206.00	917	981
Mar	207.50	+1.90	208.20	206.00	849	3,317
Jun	204.00	+1.90	204.50	204.50	-	118
Sep	201.00	+1.90	-	-	-	2
Total					1,769	4,420

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	522.1	-	524.0	515.0	15,786	9,433
Jan	524.9	-	530.0	523.0	1	35
Mar	529.8	-	531.5	522.5	25,381	63,014
May	533.0	+0.6	534.0	525.0	947	5,788
Jul	535.3	+1.2	536.5	527.0	405	5,181
Sep	537.3	+1.4	537.0	537.0	150	782
Total					43,102	94,257

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	19.12	-0.61	19.72	19.07	25,592	112k
Feb	19.32	-0.58	19.86	19.28	13,098	50,155
Mar	19.44	-0.54	19.98	19.40	7,050	29,033
Apr	19.57	-0.45	20.01	19.52	3,279	18,626
May	19.62	-0.39	19.92	19.55	1,084	18,463
Jun	19.63	-0.34	19.85	19.55	3,273	27,035
Total					58,880	305,478

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.55	-0.54	18.87	18.44	20,463	61,998
Feb	18.54	-0.51	18.86	18.47	9,853	54,904
Mar	18.49	-0.49	18.79	18.42	3,181	14,139
Apr	18.44	-0.47	18.71	18.40	2,742	7,269
May	18.37	-0.48	18.65	18.33	793	6,912
Jun	18.30	-0.49	18.51	18.33	677	11,797
Total					43,636	169,911

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	53.45	-2.04	55.41	53.45	19,134	20,365
Jan	54.65	-1.57	56.25	54.50	13,557	47,503
Feb	55.15	-1.37	56.45	55.00	2,557	20,178
Mar	56.10	-1.07	55.10	54.60	1,317	13,080
Apr	54.30	-0.72	55.20	54.30	447	6,415
May	53.35	-0.62	54.20	53.30	280	4,845
Total					37,777	121,094

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	171.25	-5.50	176.00	170.00	8,963	10,870
Jan	170.75	-5.00	174.75	169.75	9,322	18,198
Feb	170.50	-4.25	173.50	169.50	1,972	15,134
Mar	169.25	-3.25	171.75	168.50	1,663	8,387
Apr	167.75	-2.25	169.75	167.50	760	4,672
May	166.50	-2.00	168.50	167.50	595	2,304
Total					28,425	58,044

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	13.990	-0.430	14.300	13.990	285	1,465
Jan	18.370	-0.710	18.920	18.370	180	2,765
Total					635	12,350

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.540	-0.120	2.660	2.530	23,560	50,042
Feb	2.440	-0.099	2.550	2.440	8,404	25,691
Mar	2.310	-0.077	2.405	2.300	2,206	18,991
Apr	2.200	-0.045	2.260	2.200	1,384	11,195
May	2.170	-0.028	2.198	2.170	332	8,759
Jun	2.160	-0.033	2.193	2.160	428	8,046
Total					39,174	209,852

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	57.70	-1.38	58.00	57.30	18,041	11,254
Jan	57.38	-1.33	58.40	57.15	11,679	32,373
Feb	57.65	-1.16	58.45	57.50	3,852	13,029
Mar	58.10	-1.11	58.80	57.70	1,511	8,475
Apr	60.60	-1.06	61.25	60.60	610	7,752
May	61.80	-	61.85	61.65	727	5,905
Total					36,476	89,270

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	82.00	-0.80	82.25	82.00	237	1,930
Mar	84.00	-0.60	84.25	84.10	73	3,018
May	86.00	-0.60	86.25	86.00	221	2,503
Jul	88.00	-0.75	88.75	88.60	60	291
Sep	84.00	-	-	-	-	-
Total					543	7,986

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	339.25	+4.25	342.00	334.00	14,205	16,428
Mar	356.00	+5.50	358.00	350.00	21,162	51,597
May	363.50	+3.75	367.00	360.00	3,915	10,348
Jul	369.25	+4.00	371.00	365.00	2,092	16,762
Sep	374.50	+4.00	371.50	371.00	43	385
Dec	382.00	+1.50	385.00	381.50	71	3,354
Total					41,490	98,815

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	272.75	+2.50	273.75	270.00	48,795	67,856
Mar	282.50	+3.25	283.00	279.00	52,217	165,512
May	288.50	+3.25	288.75	285.25	5,250	40,268
Jul	292.00	+3.50	292.25	288.50	4,572	51,023
Sep	286.25	+3.00	288.00	283.25	378	5,112
Dec	286.25	+3.50	286.50	283.00	1,239	30,660
Total					112,480	362,851

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	75.75	-0.55	76.00	75.75	34	811
Mar	78.25	-0.40	78.25	78.25	10	1,014
May	79.90	-0.50	-	-	3	28
Sep	81.75	-0.50	-	-	-	6
Total					44	1,911

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	721.25	+8.50	725.50	712.00	22,659	65,473
Mar	724.25	+7.75	728.50	716.00	3,099	27,717
May	728.00	+7.00	732.00	723.00	1,550	21,046
Jul	730.75	+7.75	734.25	721.50	1,018	22,148
Aug	724.75	+7.75	727.00	725.00	114	1,736
Sep	702.00	+6.00	-	-	2	52
Total					28,785	140,849

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	25.28	+0.29	25.43	25.02	12,144	12,015
Jan	25.59	+0.37	25.70	25.22	8,840	45,340
Mar	25.90	+0.41	26.00	25.60	10,768	31,850
May	26.07	+0.39	26.15	25.78	1,486	12,947
Jul	26.07	+0.34	26.20	25.82	1,507	11,237
Aug	25.97	+0.37	26.10	25.85	199	1,540
Total					35,469	116,798

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	237.4	+3.7	238.7	233.5	17,957	17,662
Jan	229.7	+1.6	232.7	228.3	9,515	30,918
Mar	223.7	+1.4	227.0	222.5	6,882	32,687
May	220.4	+1.0	223.5	219.9	3,720	19,783
Jul	220.9	+1.5	222.5	220.0	1,813	13,594
Aug	220.0	+1.0	221.5	220.5	235	3,204
Total					40,310	124,863

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	98.0	-	-	-	-	-
Apr	131.0	-	132.0	130.0	30	1,110
May	141.0	-	-	-	-	22
Jun	151.0	-	-	-	-	-
Nov	82.0	-	-	-	-	3
Total					30	1,155

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1170	-10	1180	1180	4	458
Dec	1215	+15	1225	1220	11	295
Jan	1265	+10	1290	1265	57	676
Apr	1345	+10	1345	1345	15	411
Jul	1200	-4	1205	1205	15	124
Total					77	2,019

	Close	Prev
BFI	1168	1168

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	532.00	-3.00	535.00	532.00	24	247
Mar	557.00	+2.50	557.00	553.50	28	373
Total					52	621

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds Prices from Kenkko US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened: second hand prices, 4,150 FCA. Walnuts US jumbo inshell: 1,900 CPT Europe. Turkish hazelnuts 13/15 + 11/13, for new crop indication 4,800 CFR. Iranian sultanas double cleaned crop 1997, 1,110 CFR. Iranian apricot halves 1,780 CFR for top industrial goods. Indian cashews: crop 1997 CFR, W320, 5,300; W240, 5,750. US almonds: crop 97, St.5%, at 3,880 FAS Oct shipment; 22/24 NPSSR at 4,700 FAS for Oct. Coconut: 1,130 FOB from top Philippine mills. Russian Snow White pumpkin seed: crop 97 long type, 1,980 CFR MEP.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1000	+2	1005	997	4,313	27,494
Mar	1027	+4	1032	1022	3,393	62,155
May	1046	+3	1049	1043	274	24,106
Jul	1064	+3	1070	1060	493	10,952
Sep	1080	+2	1085	1079	752	19,557
Dec	1097	+2	1098	1093	720	22,576
Total					10,089	195,492

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1552	+8	1555	1540	28	655
Mar	1582	+3	1584	1571	3,966	48,418
May	1612	+5	1612	1600	830	18,541
Jul	1632	+4	1630	1624	110	4,558
Sep	1650	+4	1651	1651	59	5,730
Dec	1670	+4	1665	1662	31	9,074
Total					4,984	98,282

■ COCOA (ICCO) (SDR's/tonne)

Nov 25	Price	Prev. day
Daily	1217.42	1222.90

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1635	+33	1635	1587	77	281
Jan	1630	+28	1640	1585	3,636	16,034
Mar	1622	+24	1628	1580	1,780	12,827
May	1620	+23	1625	1586	546	4,092
Jul	1618	+21	1605	1596	23	1,065
Sep	1623	+21	-	-	-	420
Total					6,272	34,769

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	161.00	+2.10	162.80	158.50	375	1,365
Mar	155.05	+3.45	157.00	150.05	4,044	12,705
May	149.25	+2.35	150.50	145.50	305	4,189
Jul	144.30	+1.95	144.25	141.00	156	2,376
Sep	139.75	+2.00	139.25	139.25	34	1,147
Dec	135.00	+1.75	135.00	133.50	33	863
Total					4,971	22,794

■ COFFEE (ICO) (US cents/pound)

Nov 25		Prev. day
Comp. daily	119.24	118.77
15 day average	118.86	118.35

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	310.6	-0.6	311.2	309.8	1,602	21,860
May	315.6	-0.2	316.0	315.1	732	4,919
Aug	318.8	-0.9	318.8	318.4	195	4,043
Oct	313.3	-1.7	313.7	313.5	60	3,459
Dec	314.7	+0.2	-	-	-	142
Total					2,609	34,848

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	12.24	+0.02	12.27	12.20	13,969	108k
May	12.18	+0.02	12.20	12.15	3,060	30,864
Jul	11.90	+0.01	11.91	11.87	1,896	24,894
Oct	11.73	+0.01	11.73	11.69	556	23,161
Mar	11.56	+0.01	11.57	11.57	70	6,076
May	11.52	+0.01	11.53	11.52	11	903
Total					19,602	195,015

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	70.38	-0.57	70.70	70.23	708	1,324
Mar	70.73	-0.67	71.25	70.65	4,107	41,178
May	72.01	-0.62	72.40	71.96	902	13,054
Jul	73.03	-0.58	73.50	73.00	388	13,425
Oct	74.27	-0.56	74.50	74.28	23	960
Dec	74.51	-0.47	74.50	74.50	115	13,067
Total					6,222	80,644

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	79.80	-	80.90	79.00	1,518	22,830
Mar	83.05	+0.10	83.98	82.30	1,047	14,135
May	86.15	+0.05	86.70	85.70	155	3,339
Jul	89.00	-0.10	89.50	88.75	62	1,860
Sep	91.85	+0.05	92.00	92.00	139	938
Nov	93.65	+0.45	96.00	95.25	10	1,070
Total					2,836	44,543

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 26	Nov 25	month ago	year ago
1803.7	1809.7	1839.6	1877.0

■ CRB Futures (Base: 1967 = 100)

Nov 25	Nov 24	month ago	year ago
235.69	237.83	-	-

■ GSCI Spot (Base: 1970 = 100)

Nov 25	Nov 24	month ago	year ago
191.67	192.71	211.46	218.26

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-3,025	to	677,225
Aluminium alloy	-400	to	43,480
Copper	+575	to	343,750
Lead	-25	to	117,200
Nickel	+636	to	66,540
Zinc	-1,250	to	498,575
Tin	+35	to	8,065

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.300	+0.150	67.350	67.075	8,720	23,112
Feb	68.650	+0.025	68.775	68.500	9,859	43,891
Apr	72.100	-0.025	72.275	72.000	3,348	18,929
Jun	70.225	-	70.300	70.125	763	12,686
Aug	70.500	+0.025	70.700	70.450	192	4,640
Oct	72.375	+0.025	72.600	72.350	19	1,287
Total					20,904	104,611

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	62.450	+0.300	62.700	62.275	3,831	10,844
Feb	60.550	-0.125	61.200	60.350	3,219	15,524
Apr	57.700	-0.325	58.250	57.575	635	6,627
Jun	65.500	-0.100	65.750	65.500	275	3,901
Jul	64.325	-0.075	64.650	64.200	28	1,288
Aug	62.175	+0.025	62.175	61.700	15	211
Total					8,008	38,959

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	57.625	+1.000	58.100	56.925	1,362	6,997
Mar	56.550	+0.925	57.100	56.050	150	1,097
May	57.000	+0.650	57.700	56.800	136	539
Jul	57.200	+0.300	57.700	56.700	18	374
Aug	53.600	+0.250	53.600	53.350	10	46
Total					1,688	9,077

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1550	n/a	-	-	-
1600	n/a	-	-	-
1650	n/a	-	-	-
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1800	n/a	-	-	-
1850	n/a	-	-	-
1900	n/a	-	-	-
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1550	100	129	20	57
1600	62	101	32	79
1650	35	79	55	107
■ COCOA LIFFE	Mar	May	Mar	May
1000	57	85	30	39
1025	44	71	42	50
1050	35	59	58	83
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1850	38	-	39	-
1900	27	-	-	-
1950	10	31	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.50-7.55w	-0.890
Brent Blend (dated)	$18.34-8.39	-0.745
Brent Blend (Jan)	$18.49-8.51	-0.610
W.T.I.	$19.08-9.12w	-0.685

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$189-192	-3
Gas Oil	$176-178	-5.5
Heavy Fuel Oil	$99-101	-1
Naphtha	$185-187	-3.5
Jet fuel	$194-196	-7
Diesel	$184-186	-6

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	13.95-14.05	-0.40

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)‡	$297.35	-4.70
Silver (per troy oz)‡	524.00c	-15.0
Platinum (per troy oz.)	$382.00	
Palladium (per troy oz.)	$209.00	+4.00
Copper	89.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.57r	+0.37
Tin (New York)	271.5	+4.0
Cattle (live weight)	90.08p	-1.78*
Sheep (live weight)	99.45p	+3.63*
Pigs (live weight)†	64.98p	+0.11
Lon. day sugar (raw)	$286.30	
Lon. day sugar (wte)	$302.10	-0.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)¥	54.50p	
Rubber (Jan)¥	54.50p	
Rubber (KL RSS No1)	279.0z	-1.0
Coconut Oil (Phil)§	605.0y	-5.0
Palm Oil (Malay.)§	527.5w	-2.0
Copra (Phil)§	$402.5	-2.5
Soyabeans (US)	187.0z	+1.0
Cotton Outlook'A' index	77.10c	
Wooltops (64s Super)	399p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Dec/Jan. z Nov/Dec. w Jan. ¥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on n/a head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,543 Set by DANTE

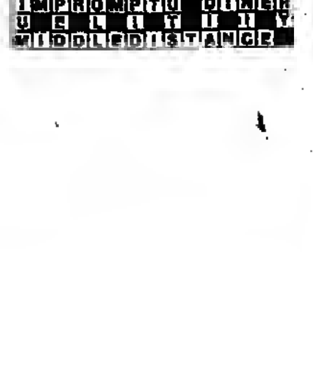
ACROSS

1 After take-off, fly past (8)
4 Crew man showing little variation in stroke (6)
8 Fine stuff for a Welsh banker at tea break (7)
9 Identify old boy in setback with dummy pill (7)
11 Picture-house (3,7)
12 Where barristers get refreshers? (4)
13 The craft of the Jumblies (5)
14 The way to encourage fish (8)
16 One has a job to get money from ooe (8)
18 Bill has to deliver bitter (5)
20 Called for an orange, peeled (4)
21 Light provided by candle hire (10)
23 Poise sought by an accountant? (7)
24 A note added willingly (7)
25 Agreed with the head (6)
26 A poem's positive points (6)

DOWN

1 Into the lead I step (5)
2 He leaves his country to be protected by another (7)
3 Large pieces of major road faulty in the centre (9)
5 Agree the score (5)
6 Recoiling from drugs? (7)
7 Bandleader pursued by the sheriff (5,4)
10 It provides blanket coverage – for a dorm feast? (9)
13 Order me a gin as a repeat order (4,5)
15 Such is life on the rolling deep (2,3,4)
17 Many tease girl set up as a slowcoach (7)
19 Had a series of strokes but recovered (7)
21 Hide away sound currency (5)
22 Lives badly, producing social problems (5)

Solution 9,542



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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

Fund	Selling Price	Buying Price	+ or -	Yield Gross
Global Atlc Inc				
NAV Nov 12	$700.95		—	-
Global Convertible Megatrend				
NAV Oct 31	$127.50		—	-
Global Fund Management S.A.				
GFM Convert Bond Oct 30	$10.43		—	-
Jupiter Asset Management (Asia) Ltd				
Hong Kong Investment Co Ltd	$0.77		-0.46	-
Philippine Investment Co Ltd	$0.55		-0.09	-
Jupiter Asset Mngt (Bermuda) Ltd				
Jupiter Hedge	£1.47	1.55	-0.18	-

The Global Managed Investec Bond Limited

Global Portfolio (BVI) Management Ltd

Globalvest Management Co LP

Jupiter Asset Mngt - Contd.

KD Offshore Fund, C.V.

Kanmer Management Limited

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاعلى

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

	Notes	Price	+ or -	52 week high	low	Mkt CapEm	Yld Gr's	P/E
Royal Bk Canada C$		31¼		33⅝	20	18,497	2.0	
Toronto-Dom C$		22⅛		23⅝	14⅝	6,666	2.4	
Trans Can Pipe C$	♥	12⅝	---	12⅞	10⅞	2,991	3.9	
Western Star Trucks C$		11¾	---	19⅛	11⅞	131.5	-	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Inl R		£23¼	-	£27¾	£20¼	3,781	5.9	♦
Barlow	♣	[illegible]	[illegible]	[illegible]	[illegible]	1,175	2.7	♦
Gold Flds Prop R		129½	+5	197	120¼	12.4	6.6	10.1
SA Brews	†	£14⅞	[illegible]	£22¼	£13⅛	4,302	2.5	-
Standard Bank		£25¼	[illegible]	£30	£21	3,024	2.1	-
Tiger Oats		925	---	1100	700	1,247	2.3	♦
Tongaat-Hulett		736½	+4	788	719½	118.4	5.4	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discount (Dis) or premium (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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LONDON STOCK EXCHANGE

Bid news and Far East stability help shares

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Reassuring performances from the Far East and Wall Street, plus an element of relief that there were no unpleasant surprises in Gordon Brown's "Green Budget" on Tuesday, brought widespread gains to UK equities yesterday.

Additional help came from more bid action in the form of an increased offer from Lafarge of France for Redland, the building materials group, which was notified to the stock exchange after the close on Tuesday.

Just about the only bad news for stocks came from the trade figures, which received a cool reception in the market and saw gilts initially slip back.

With Wall Street coming in on a firm note, London finished in good heart, although well below its session-high.

The FTSE 100 index recrossed the 4,900 barrier, peaking at 4,907.1, before coming off to finish the day 27.7 higher at 4,891.2. The second liners and smallcaps were also well supported. The FTSE 250 settled 20.5 up at 4,651.8 and the FTSE SmallCap rose 5.2 to 2,266.1.

The trade figures drew cautionary responses from some economists. Adam Cole at HSBC James Capel said: "The latest data are the first hint that the trade balance is beginning to deteriorate following sterling's depreciation.

"That said, the rise in the deficit is unlikely to be dramatic as export volumes are holding up well. We continue to believe that sterling's impact on exports, and hence GDP growth, will be more modest than has been the case in the past, putting further upwards pressure on base rates to cool the economy."

Some fund managers remained unconvinced about the bearish stories regarding global markets in the wake of the Asian crisis.

A senior fund manager at one leading UK investment management group insisted the underlying tone in London remained solid, underpinned by liquidity. "The cash coming into the market will be boosted substantially by the bids for Mercury Asset Management, worth £3.1bn, the £1.5bn for bid Redland and the £1bn-plus bid for Allied Colloids."

He also pointed out that the amount raised for rights issues this year was swamped by the cash being injected into the market from bids.

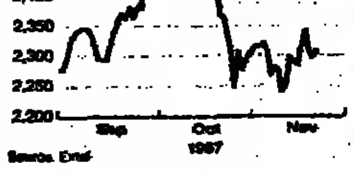
The market was bolstered by notes from Mark Tinker of UBS, which pointed out that, on an earnings yield basis, equities were at their cheapest level relative to bonds for six years and added that the Green Budget would encourage companies to indulge in share buy-backs.

The bid for Redland induced plenty of support for building stocks, notably Blue Circle, which topped the Footsie performance list, while brokers ABN Amro Hoare Govett and Goldman Sachs were behind the late run in Royal & Sun Alliance.

Stories that a bid for a life company was imminent helped London & Manchester spearhead a general drive by the sector.

Turnover at 6pm was a hefty 536m shares, boosted by Dresdner Kleinwort Benson's move to buy 166m Redland shares.

FTSE All-Share index



Source: Datastream

Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover

Indices and ratios

FTSE 100	4891.2	+27.7		FT 30	3163.5	+17.8
FTSE 250	4651.8	+20.5		FTSE Non-Fins p/e	19.60	19.54
FTSE 350	2361.4	+12.8		FTSE 100 Fut Dec	4872.0	-56.0
FTSE All-Share	2308.90	+12.02		10 yr Gilt yield	6.59	6.59
FTSE All-Share yield	3.37	3.39		Long gilt/equity yld ratio	1.95	1.94

Best performing sectors

1. Insurance ... +2.2
2. Pharmaceuticals ... +2.1
3. Telecommunications ... +1.6
4. Household Goods ... +1.6
5. Banks: Retail ... +1.4

Worst performing sectors

1. Oil: Integrated ... -2.5
2. Mineral Extraction ... -2.2
3. Alcoholic Beverages ... -1.3
4. Oil Exploration & Prod ... -1.0
5. Distributors ... -0.4

German boost for BAe

By Joel Kibazo, Peter John and Martin Brice

News after the market closed that the German parliament had given the go-ahead to the four-nation Eurofighter project was expected to boost leading defence and engineering issues in today's session.

The vote eliminates the last obstacle to starting production of the aircraft next year. UK companies will get around 37.5 per cent of the work on the project with the rest going to companies in Spain, Germany and Italy.

Speculation that the project was about to be cleared helped underpin yesterday's advance in British Aerospace, although reports suggested the company was surprised by the timing of the vote. The shares put on 22 to £15.92 in trade of just under 1m.

BAe is expected to be the biggest UK beneficiary from the project.

With some 620 aircraft to be built, Brian Newman at Henderson Crosthwaite said: "This is the news the industry has been waiting for. It will keep the UK defence industry going for the next 15 years."

He added: "BAe's share of the work on this project could exceed £3bn and may be double from export sales."

Aero-engines group Rolls-Royce and defence electronics group GEC will also be part of the project. Shares in the former eased a penny to 238p on volume of 4.6m while the latter ended the day 2¾ ahead at 396½p. Volume was 6.8m.

BP led a troubled sector downwards as it responded to a weak oil price.

The company generates the greater part of its earnings from upstream activities and the shares, which were the biggest fallers in the Footsie, dropped 38½ to 808p.

The majors and the exploration and production stocks were pressurised by a raft of discouraging news and nervousness weighing on the sector.

First, US oil supplies were shown, by the latest API inventory data, to be higher than the market had expected.

Second, analysts were starting to factor in an Asia-related downturn. One said demand could fall by 400,000 barrels which, although small compared with the world total, will be significant at the margin.

Third, El Niño – a periodic warming of the tropical Pacific Ocean that has global ramifications – is lowering demand in the US, which accounts for 60 per cent of the world total.

Finally, there are fears that the gathering of Opec members, who are set to reconvene on Saturday, might lead to an increase in production quotas.

The net result was a slide in the price of Brent crude to below $19 a barrel, a fall of more than a dollar since last week. Goldman Sachs has reduced its 1998 oil price forecast and there was further pressure from Deutsche Morgan Grenfell, which turned negative on the European sector. Enterprise fell a penny to 584p, Lasmo 5¾ to 268¾p and Cairn 5¼ to 472½p. Shell Transport was off 2 at 418p but the stock was supported by a big buy note from Merrill Lynch. The broker has raised its stance on the stock and is about to set off on a big road show to talk the story.

The bears gained the upper hand in food retailer Safeway following two sessions this week that saw the shares move ahead.

Monday and Tuesday witnessed a recovery in the stock, which fell sharply last week as dealers raised the prospect of renewed merger talks with Asda Group.

But all that was of little concern yesterday. The company is in the middle of a series of presentations to institutions and the word is that many remain unconvinced by the group's strategy.

The shares fell 6 to 324p, with concerted selling prompting turnover of 11m.

Asda was also active and saw business of 7.8m. A two-way pull in the stock left the shares at 160½p, unchanged on the day.

A sharp post-results appraisal of National Grid by SBC Warburg Dillon Read sent it down 12½ to 289¼p.

Warburg issued a "sell" note and pointed out that, once the shares are consolidated, the yield will fall to 4 per cent. That would leave the power generator as one of the lowest yielding utilities. Warburg believes the stock has little attraction above 270p.

Billiton, the mining group, slid 6 to 153½p as the market reacted to Tuesday's late profits warning.

Alliance & Leicester received a boost from HSBC James Capel, which had been at the low end of the range of forecasts but yesterday lifted its estimates 5 per cent. Capel reiterated its "add" recommendation and is now looking for £415m before exceptionals for this year and £443m for 1998. A&L gained 18½ to 730½p.

Royal & Sun Alliance closed a net 18 better at 541p following active buying from a couple of the bigger brokers.

Global repercussions of the acceptance by Redland of the bid from Lafarge of France echoed round stock markets yesterday. In London, the building materials sector was the focus of attention as it put on a very strong performance after Lafarge lifted its offer from 320p a share to 345p.

Dealings in Redland topped the 166m mark, or more than 30 per cent of the 522m shares in issue, as Dresdner Kleinwort Benson bought the stock on behalf of Lafarge at very close to the offer price.

The shares rose 4½ to 339½p.

Elsewhere in the sector, buyers trawled for candidates likely to be part of more consolidation. David Taylor at Teather & Greenwood said: "Within one or two years we are likely to see further concentration in UK building materials companies, and the establishment of integrated cement, readymix and aggregates companies, of the sort that are seen elsewhere in Europe and North America."

Hanson was seen as a leading candidate for consolidation and gained 9¼ to 301½p in volume of 5.2m amid speculation that it had been in talks with Pioneer International, the cash-rich Australian concrete and cement group. Pioneer rose about 4 per cent.

Among transport stocks, P&O shed 7 to 648p after results from P&O Nedlloyd, its container shipping joint venture, that showed a decline in market share on trans-Atlantic routes. The $25m operating profit was less than the $40m expected by some, but the company was said to be bullish in a presentation to analysts.

Abacus Polar, the SmallCap electronic component distributor, lost 22½ to 156p after it issued a profits warning.

FT 30 INDEX

	Nov 26	Nov 25	Nov 24	Nov 21	Nov 20	Yr ago	*High	*Low
FT 30	3163.5	3145.7	3157.5	3204.8	3168.8	2820.4	3430.3	2668.8
Ord. div. yield	3.57	3.59	3.58	3.53	3.58	4.02	4.22	3.29
P/E ratio net	20.57	20.49	20.57	20.86	20.55	17.16	22.33	15.80
P/E ratio nil	20.29	20.21	20.28	20.57	20.27	17.00	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3148.0	3163.1	3164.2	3162.9	3158.7	3162.6	3168.8	3166.3	3141.3	3171.6	3141.0

	Nov 26	Nov 25	Nov 24	Nov 21	Nov 20	Yr ago
SEAQ bargains	41,143	44,299	60,946	57,819	61,015	37,770
Equity turnover (£m)†	-	NA	2299.2	2668.6	2832.2	1167.5
Equity bargains†	-	NA	48,558	43,893	42,970	24,117
Shares traded (ml)†	-	NA	683.2	899.3	785.1	533.0

†Excluding intra-market and overseas turnover but including Crest turnover.

*For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	790	Total Highs	35	Total contracts	18,943
Total Falls	550	Total Lows	96	Calls	8,925
Same	1,705			Puts	10,018

*Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4920.0	4905.0	+35.0	4940.0	4871.0	5668	67096
Mar	4963.0	4951.0	+35.0	4963.0	4963.0	4	7828

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4650.0	+5.0			2	3104

FTSE 100 INDEX OPTION (LIFFE) (4873) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	100.5	100½	99½	Advance UK Tst	[illegible]					
-	F.P.	31.6	207½	198	BCH Group	[illegible]					
-	F.P.	1,354	30½	29½	BG 'B'	[illegible]					
§90	F.P.	14.1	110	102½	†CRC	[illegible]					
§	F.P.	6.92	114	113½	Capital Opps Tst	[illegible]					
§150	F.P.	8.47	153½	153½	†Cresco Intl	[illegible]					
-	F.P.	-	£75½	£72½	Fleming Grd Units	[illegible]					
-	F.P.	20.0	100	100	Foresight Tech	[illegible]					
-	F.P.	1.20	35	5½	Do Warrants	[illegible]					
-	F.P.	44.6	148½	144	Gyrus Group	[illegible]					
§128	F.P.	124.6	187½	160½	Holmes Place	[illegible]					
§88	F.P.	15.3	103½	102½	†Maelor	[illegible]					
-	F.P.	82.5	99½	70½	†Metalrussia	[illegible]					
§45	F.P.	21.3	54½	50½	†Minorplanet Sys	[illegible]					
250	F.P.	508.0	254	225	Newsquest	[illegible]					
-	F.P.	19.0	126	115½	Nthn Recruitment	[illegible]					
70	F.P.	25.7	63½	53	Nott'ham Forest	[illegible]					
§95	F.P.	5.58	114½	104½	†Savoy Asset Mngt	[illegible]					
-	F.P.	57.5	210½	197½	Workplace Tech	[illegible]					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 26	% chg on day	Nov 24	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1039.89	-2.6	1066.07	1868.08	2.70	-	[illegible]	[illegible]
Regional Indices								
Africa (15)	1112.34	-1.2	1125.94	2348.10	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (6)	1042.46	-2.8	1072.38	2095.80	[illegible]	[illegible]	[illegible]	[illegible]
North America (12)	1028.40	-2.8	1058.49	1703.92	1.25	38.23	1793.48	1028.40

Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 26	Day's chge%	Nov 25	Nov 24	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4891.2	+0.6	4863.5	4898.6	4049.2	3.33	2.73	2.06	18.22	137.34	2108.26
FTSE 250	4651.8	+0.4	4631.3	4645.7	4412.0	3.60	2.95	1.78	19.51	134.72	1963.45
FTSE 250 ex IT	4692.0	+0.4	4672.1	4687.0	4448.9	3.71	3.05	1.82	18.53	139.59	1986.95
FTSE 350	2361.4	+0.5	2348.6	2363.7	2008.1	3.36	2.77	2.00	18.46	66.73	2079.21
FTSE 350 ex IT	2365.1	+0.5	2352.2	2367.4	-	3.40	2.79	2.01	18.25	34.77	1068.08
FTSE 350 Higher Yield	2364.0	+0.5	2351.2	2360.8	1920.1	4.34	3.59	1.83	15.74	81.66	1789.79
FTSE 350 Lower Yield	2372.9	+0.5	2360.0	2379.9	2105.5	2.55	2.06	2.26	21.70	52.15	1704.91
FTSE SmallCap	2266.09	+0.2	2260.89	2266.05	2162.67	3.26	2.63	1.61	23.77	60.05	1943.51
FTSE SmallCap ex IT	2272.98	+0.2	2269.45	2274.39	2162.62	3.48	2.81	1.68	21.40	64.48	1967.66
FTSE All-Share	2308.90	+0.5	2296.86	2310.89	1980.62	3.37	2.76	1.96	18.73	64.96	2063.28
FTSE All-Share ex IT	2314.34	+0.5	2302.20	2316.52	-	3.40	2.79	1.99	18.41	34.79	1063.59

FTSE Actuaries Industry Sectors

	Nov 26	Day's chge%	Nov 25	Nov 24	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4425.78	-2.2	4523.04	4635.01	3882.57	3.53	2.81	1.81	19.54	140.69	2003.58
12 Extractive Industries(5)	3003.71	-0.4	3016.78	3059.14	4155.53	4.68	3.32	1.89	14.14	139.64	925.81
15 Oil, Integrated(3)	4851.04	-2.5	4975.81	5118.19	4011.28	3.59	2.90	1.77	19.67	154.87	2260.16
16 Oil Exploration & Prod(12)	3606.50	-1.0	3641.69	3649.25	2949.05	1.59	1.31	2.32	33.95	52.82	2218.35
20 GEN INDUSTRIALS(257)	1961.42	+0.5	1970.64	1976.37	1868.71	3.96	3.35	1.93	16.37	65.93	1145.66
21 Building & Construction(35)	1328.53	-0.1	1327.42	1330.10	1162.90	3.45	2.78	2.29	15.80	40.65	1166.90
22 Building Matls & Merchs(30)	1802.20	+1.4	1778.10	1781.00	1768.21	4.41	3.60	1.84	15.40	59.69	961.80
23 Chemicals(26)	2442.00	+0.6	2427.10	2444.81	2382.71	4.07	3.54	1.70	18.10	59.58	1230.04
24 Diversified Industrials(13)	1338.01	+0.5	1330.75	1319.07	1397.84	5.09	4.79	2.63	9.34	66.01	809.25
25 Electronic & Elect Equip(34)	[illegible]										
26 Engineering(69)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(27)	[illegible]										
29 Textiles & Apparel(14)	[illegible]										
30 CONSUMER GOODS(89)	[illegible]										
32 Alcoholic Beverages(7)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(17)	[illegible]										
36 Health Care(19)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(3)	[illegible]										
40 SERVICES(278)	[illegible]										
41 Distributors(29)	[illegible]										
42 Leisure & Hotels(30)	[illegible]										
43 Media(42)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(53)	[illegible]										
47 Breweries, Pubs & Rest.(22)	[illegible]										
48 Support Services(68)	[illegible]										
49 Transport(23)	[illegible]										
60 UTILITIES(32)	[illegible]										
62 Electricity(15)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(9)	[illegible]										
68 Water(13)	[illegible]										
69 NON-FINANCIALS(687)	[illegible]										
70 FINANCIALS(105)	[illegible]										
71 Banks, Retail(11)	[illegible]										
73 Insurance(17)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(27)	[illegible]										
79 Property(42)	[illegible]										
80 INVESTMENT TRUSTS(128)	[illegible]										
89 FTSE All-Share(920)	[illegible]										
105 FTSE All-Share ex IT(792)	[illegible]										
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	1257.40	-0.1	1258.25	1265.21	1237.23	3.63	2.91	1.24	27.76	36.67	1378.34
FTSE AIM	969.9	-0.2	972.3	975.7	-	1.14	0.90	0.54	80.00†	7.11	891.95

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	4899.6	4900.4	4899.1	4892.3	4895.2	4899.4	4901.9	4873.0	4907.3	4863.5
FTSE 250	-	4636.7	4642.5	4643.3	4644.8	4646.1	4647.7	4648.5	4650.7	4651.8	4634.3
FTSE 350	-	2363.1	2364.0	2363.6	2361.1	2362.4	2364.1	2365.2	2354.2	2367.2	2350.5
FTSE SmallCap	2262.14	2262.48	2263.31	2263.70	2263.86	2264.18	2264.61	2265.45	2266.13	2266.19	2262.12
FTSE All-Share	-	2310.27	2311.15	2310.79	2308.52	2309.69	2311.35	2312.37	2302.33	2314.14	2298.92

Time of FTSE 100 Day's high: 2:16 PM Day's low: 3:53 PM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.8 (10/01/97)
Time of FTSE All-Share Day's high: 2:16 PM Day's low: 3.50 PM. FTSE All-Share 1997 High: 2492.41 (03/10/97) Low: 1969.76 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative.

TRADING VOLUME

Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities yesterday until 4.30pm. † Indicates a FTSE 100 index constituent. Volumes are rounded. Source: Extel, part of FT information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 26 / Sch)

BELGIUM/LUXEMBOURG (Nov 26 / Frs.)

CZECH REP (Nov 26 / Koruna)

DENMARK (Nov 26 / Kr)

FINLAND (Nov 26 / Mko)

FRANCE (Nov 26 / Frs.)

GERMANY (Nov 26 / Dm.)

GREECE (Nov 26 / Drachma)

ITALY (Nov 26 / Lire)

NETHERLANDS (Nov 26 / Fls.)

NORWAY (Nov 26 / Kroner)

POLAND (Nov 26 / Zloty)

PORTUGAL (Nov 26 / Escudo)

SPAIN (Nov 26 / Pts.)

SWEDEN (Nov 26 / Kronor)

SWITZERLAND (Nov 26 / Frs.)

TURKEY (Nov 26 / Tk Lira)

PACIFIC

JAPAN (Nov 26 / Yen)

HONG KONG (Nov 26 / HK $)

INDONESIA (Nov 26 / Rupiah)

MALAYSIA (Nov 26 / MYR)

NEW ZEALAND (Nov 26 / NZ $)

SINGAPORE (Nov 26 / S$)

AUSTRALIA (Nov 26 / Aust$)

SOUTH KOREA (Nov 26 / Won)

TAIWAN (Nov 26 / TW $)

THAILAND (Nov 26 / Baht)

NORTH AMERICA

CANADA

TORONTO (Nov 26 / Can $)

4 pm close

MONTREAL (Nov 26 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Nov 26 / Rand)

Emerging markets: IFC Investable indices

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 25 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 24 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	196.09	-2.4	173.00	158.08	177.78	190.37	-1.1	3.95	200.83	175.91	160.87	181.18	192.54	243.87	190.41	223.36
Austria (21)	188.07	-0.3	165.93	151.62	170.49	170.43	0.1	1.97	188.70	165.28	151.15	170.23	170.17	213.59	175.14	185.33
Belgium (27)	249.82	-0.1	220.41	201.40	226.47	221.58	0.4	3.11	250.16	219.12	200.38	225.69	220.80	261.11	221.31	226.95
Brazil (30)	214.30	0.6	189.07	172.78	194.27	438.01	0.7	1.69	213.05	186.62	170.66	192.21	434.83	322.44	178.94	180.96
Canada (122)	210.89	-1.1	186.06	170.00	191.17	216.56	-1.3	1.82	213.20	186.75	170.78	192.34	219.35	233.66	178.27	194.74
Denmark (32)	418.75	-0.5	369.46	337.58	379.61	378.07	0.0	1.35	420.74	368.53	337.02	379.57	378.10	429.78	333.94	339.27
Finland (28)	303.08	-1.3	267.40	244.33	274.75	334.86	-0.9	1.86	307.17	269.05	246.05	277.12	337.81	349.43	232.86	239.60
France (84)	228.22	-0.9	201.36	183.99	203.89	209.97	-0.4	2.55	230.23	201.66	184.41	207.70	209.82	246.23	203.78	212.37
Germany (58)	216.42	-0.1	190.94	174.47	196.19	196.19	0.4	1.47	216.57	189.69	173.47	195.38	196.36	243.87	183.03	187.06
Hong Kong, China (66)	349.49	-2.0	308.35	281.75	316.82	346.87	-2.0	4.60	356.82	312.54	285.82	321.91	354.13	580.03	314.78	503.52
Indonesia (27)	95.41	-5.3	84.18	76.92	86.49	213.95	-4.1	3.19	100.77	88.27	80.72	90.91	222.56	254.90	95.41	226.55
Ireland (16)	377.28	0.0	332.87	304.15	342.02	356.28	0.6	2.77	377.17	330.37	302.12	340.27	354.06	394.88	310.26	316.65
Italy (53)	108.70	0.2	95.90	87.63	98.54	138.72	0.7	1.76	108.44	94.98	86.86	97.83	137.78	115.27	78.11	83.10
Japan (483)	98.53	-5.8	86.93	79.43	89.32	79.43	-5.2	1.00	104.55	91.58	83.75	94.32	83.75	142.73	95.91	142.31
Malaysia (107)	177.19	-6.0	156.32	142.83	160.62	238.03	-6.2	3.06	188.53	165.13	151.01	170.06	251.06	660.65	175.86	603.60
Mexico (27)	1588.84	1.3	1401.80	1280.86	1440.32	14312.39	1.4	1.70	1568.95	1374.25	1256.74	1415.44	14120.34	1901.98	1147.96	1166.83
Netherlands (19)	403.43	-1.3	355.94	325.23	365.72	361.65	-0.8	2.32	408.67	357.96	327.35	368.69	364.78	440.67	313.78	327.85
New Zealand (14)	79.83	-2.7	70.43	64.35	72.36	68.63	-1.7	4.51	82.02	71.84	65.70	73.99	69.78	98.47	75.37	91.97
Norway (38)	323.65	-2.8	285.55	260.92	293.40	312.02	-2.1	1.86	332.97	291.65	266.71	300.39	318.77	374.64	277.33	290.77
Philippines (22)	85.01	-3.0	75.00	68.53	77.06	146.56	-2.5	1.40	87.60	76.73	70.17	79.03	150.40	214.07	78.40	196.02
Singapore (42)	240.54	-2.0	212.22	193.91	218.05	176.91	-1.8	1.81	245.35	214.90	196.52	221.34	179.89	448.01	215.21	419.55
South Africa (43)	274.13	-0.3	241.86	220.99	248.50	290.59	-0.1	2.99	274.85	240.85	220.26	248.07	290.86	370.12	259.47	323.71
Spain (33)	260.41	0.6	229.75	209.93	236.07	290.78	1.1	2.32	258.98	226.85	207.45	233.65	287.63	277.33	187.22	198.72
Sweden (49)	481.95	-1.4	425.21	388.53	436.90	542.88	-0.9	1.91	488.86	428.29	391.66	441.12	547.77	538.94	402.43	416.67
Switzerland (32)	321.38	-0.0	283.55	259.09	291.34	280.78	0.3	1.20	321.40	281.52	257.44	289.96	279.81	329.59	231.69	247.25
Thailand (39)	25.47	-7.2	22.47	20.54	23.09	39.48	-6.4	7.12	27.45	24.04	21.98	24.78	42.18	121.49	25.47	121.49
United Kingdom (215)	321.68	-1.4	283.81	259.32	291.61	283.81	-0.7	3.47	326.14	285.67	261.24	294.23	285.67	337.99	261.60	272.30
USA (644)	387.03	0.5	341.47	312.01	350.85	387.03	0.5	1.59	385.26	337.45	308.59	347.56	385.26	399.82	293.43	307.64
Americas (823)	351.27	0.4	309.92	283.18	318.44	296.42	0.4	1.60	349.88	306.46	280.26	315.64	295.26	365.75	268.24	281.25
Europe (705)	278.58	-0.8	245.79	224.58	252.54	256.56	-0.2	2.49	280.83	245.98	224.95	253.35	257.18	296.25	227.48	234.32
Nordic (147)	419.96	-1.4	370.52	338.56	380.71	413.17	-0.8	1.82	425.95	373.09	341.18	384.27	416.81	464.93	345.30	354.98
Pacific Basin (875)	108.82	-5.1	96.01	87.72	98.65	88.32	-4.5	1.68	114.64	100.41	91.82	103.42	92.45	160.80	107.50	160.23
Euro-Pacific (1580)	179.63	-2.4	158.49	144.81	162.84	151.47	-1.8	2.20	183.97	161.14	147.36	165.97	154.22	209.12	173.55	190.99
North America (766)	375.86	0.4	331.62	303.01	340.73	375.57	0.4	1.60	374.41	327.95	299.91	337.78	374.15	389.57	286.91	300.90
Europe Ex. UK (490)	249.34	-0.5	219.99	201.01	226.03	235.53	-0.0	1.93	250.51	219.42	200.66	226.00	235.53	267.07	202.83	208.99
Pacific Ex. Japan (392)	201.72	-2.7	177.97	162.62	182.86	194.65	-2.0	3.98	207.22	181.51	165.99	186.95	198.73	320.65	194.30	316.09
World Ex. US (1802)	183.36	-2.2	161.78	147.82	166.22	158.08	-1.7	2.18	187.50	164.23	150.18	169.15	160.78	212.99	176.94	192.97
World Ex. UK (2231)	242.06	-0.9	213.56	195.14	219.43	218.23	-0.6	1.69	244.01	213.73	195.45	220.13	218.54	262.69	211.16	224.89
World Ex. Japan (1963)	324.20	-0.1	286.04	261.36	293.90	310.04	0.1	2.01	324.63	284.35	260.03	292.87	314.80	344.35	264.51	274.86
The World Index (2446)	248.83	-0.9	219.53	200.56	225.57	224.23	-0.8	1.86	250.98	219.84	201.04	226.43	225.58	268.47	216.61	226.97

CONSTITUENT CHANGE WITH EFFECT 27/11/97: Name change: Sparbanken Sverige to ForeningsSparbanken (Sweden). CONSTITUENT CHANGE WITH EFFECT 28/11/97: Deletion: Salomon (USA).

4 pm close November 26

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	51½	Xerox	1.29	1.7	19	[illegible]	[illegible]	74	[illegible]	[illegible]
[illegible]	40½	Xtra Corp x	0.80	1.5	16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	30¼	Yankee Egy	1.34	5.7	14	50	[illegible]	[illegible]	[illegible]	[illegible]
50	37⅞	York Int	0.48	1.0	16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8¼	4	Zapata	0.25	[illegible]	58	[illegible]	7¼	[illegible]	[illegible]	[illegible]
13⅛	[illegible]	ZemexID				[illegible]	[illegible]	[illegible]	[illegible]	
50⅝	[illegible]	Zenith Nat	1.00	3.0	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	7⅞	Zenix Inc x	0.16	9.4		200	[illegible]	8	[illegible]	[illegible]
[illegible]	17⅝	Zero x	0.12	0.4	19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14	10½	Zweigfd♣	1.32	10.1		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9½	8	Zweig Tot x	0.84	8.0		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. dis-sales. u-new yearly high. x-ex-dividend or ex-rights. yld yield. [illegible] in full.
■ Dealings suspended.

هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 25	Nov 24	Nov 21	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7808.95	7767.92	7881.07	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.65	104.57	104.61	104.78 (20/11)	101.09 (14/4)	104.78 (20/11/97)	54.99 (1/10/81)
Transport	3157.97	3145.91	3184.41	3358.27 (15/10)	2222.07 (2/1)	3358.27 (15/10/97)	13.23 (8/7/32)
Utilities	258.53	255.65	256.75	258.53 (25/11)	208.47 (25/4)	258.53 (25/11/97)	16.53 (8/7/32)

DJ Ind. Day's high 7880.32 (7887.28) Low 7706.00 (7723.41) (Theoretical)
Day's high 7821.39 (7881.07) Low 7739.57 (7753.25) (Actual)

Standard and Poors	Nov 25	Nov 24	Nov 21	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	950.82	946.67	963.09	983.12 (7/10)	737.01 (2/1)	983.12 (7/10/97)	4.40 (1/6/32)
Industrials¶	1109.34	1104.55	1124.08	1148.82 (7/10)	865.42 (11/4)	1148.82 (7/10/97)	3.52 (30/6/32)
Financial¶	112.48	112.03	114.24	118.84 (7/10)	80.75 (2/1)	118.84 (7/10/97)	7.13 (4/9/74)
Others							
NYSE Comp.	496.98	495.14	502.85	504.21 (7/10)	389.47 (11/4)	514.21 (7/10/97)	4.64 (25/4/42)
Amex Comp	661.80	663.91	673.14	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.20 (16/7/96)
NASDAQ Cmp	1588.04	1586.99	1620.75	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	426.81	427.83	435.05	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Nov 21	Nov 14	Nov 7	Year ago
Dow Jones Ind. Div. Yield	1.73	1.78	1.78	2.02
	Nov 18	Nov 12	Nov 5	Year ago
S & P Ind. Div. yield	1.50	1.56	1.50	1.84
S & P Ind. P/E ratio	25.38	24.36	25.28	22.98

US DATA

■ MARKET ACTIVITY

● Volume (million)	Nov 25	Nov 24	Nov 21
NYSE	587.890	518.940	611.000
Amex	28.260	28.199	27.387
NASDAQ	649.579	576.279	688.538

NYSE	Nov 25	Nov 24	Nov 21
Issues Traded	3,422	3,438	3,449
Rises	1,520	754	1,582
Falls	1,373	2,159	1,278
Unchanged	529	525	591
New Highs	139	106	175
New Lows	77	58	97

■ NYSE TRADING ACTIVITY Volume : 587,890,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Compaq	14,315,100	55¾	-⅛
Tel Brasileir	5,299,300	98⅝	+1¾
Boeing	4,972,900	61¾	+1¼
IBM	4,407,700	107⅞	+4½
Texas Insts	4,308,400	49⅞	+¾
Exxon	3,587,300	61⅞	-1⅞
Diamond Off	3,490,600	50	-2⅛
Merck	3,426,200	93⅞	+1⅞
Transocl Ofw	3,419,300	21¼	+4¼
Am Stores	3,340,700	20⅞	+⅛

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Transoceal Ofw	21⅞	+4⅜	+25
Synovus Fin	31⅞	+4⅜	+16.5
Fleetwood Ent	34⅞	+3¼	+10.9
First Chcg	78¾	+4⅞	+5.8
Downs			
Boston Sci	44⅛	-5⅝	-11.2
Norrell	24⅞	-3⅛	-11.2
MS Group	19⅞	-2⅞	-10.3
Sotheby AB	22⅛	-2⅝	-10.0

■ NASDAQ TRADING ACTIVITY Volume :649,579,000

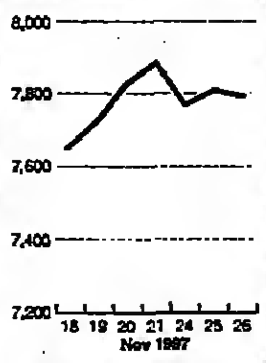
■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Dell Comp	21,040,200	81⅞	+1⅞
Intel	17,517,100	75⅞	-1⅞
Applied Matl	18,106,000	33⅝	+⅞
VLSI Tech	11,229,900	21⅞	-1⅝
Oracle	7,898,000	33⅞	+⅞
Three Com	7,045,000	34⅞	+1⅞
Microsoft	7,021,500	139	+3⅞
Cisco Sys	6,024,100	84⅞	+1⅛
Bec Lighter	5,128,400	15	
Worldcom	4,740,900	31¼	-⅛

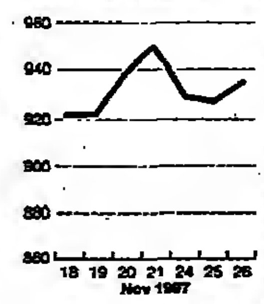
■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Striker Inds	12½	+2¼	+21.9
Imperial Cre	23⅝	+2⅝	+12.5
Desert Com	27⅛	+2⅞	+11.2
Calif Ind Bnc	25⅝	+2½	+10.8
Downs			
Pacificare B	61⅞	-15⅞	-21.8
Methode A	16⅝	-3⅝	-18.7
Pacom Tech	15½	-2⅛	-12.8
Merrill	20	-2⅞	-12.3

Dow Jones



FTSE Eurotop 300



JAPAN

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

UK

[illegible]

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	951.70	955.70	+4.00	968.70	948.70	102,584	387,843
Mar	967.50	966.10	+4.10	970.00	965.90	4,619	28,234
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	16100.0	16110.0	+270.0	16370.0	15980.0	25,672	175,635
Mar	16120.0	16120.0	+310.0	16340.0	16050.0	501	18,240

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Nov	2827.0	2818.0	+33.0	2831.0	2802.0	22,464	17,969
Dec	2833.5	2824.5	+33.0	2836.0	2810.5	12,313	37,258
■ DAX							
Dec	3911.0	3938.0	+74.0	3951.0	3902.0	19,039	75,653
Mar	3947.0	3973.5	+63.0	3985.0	3941.5	343	7,588

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2420.00	2410.00	+23.75	2430.00	2408.00	84,153	12,379
Dec	2429.00	2419.25	+26.25	2439.50	2418.00	8,393	14,957
■ SOFFEX							
Dec	5615.0	5759.0	+81.0	5760.0	5713.0	3,959	19,501

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Nov 26	Nov 25	Nov 24	1997 High	1997 Low	Yield	P/E
Argentina	General	21376.27	21180.77	20830.38	25681.25 21/10	18237.37 2/1	3.48	17.8
Australia	All Ordinaries	2483.1	2454.4	2482.1	2778.30 25/9	2298.20 28/10	3.71	17.7
	All Mining	550.9	585.5	578.9	987.38 24/2	550.90 26/11		

Fears as Asian markets steadied. Gold sector dived 3 per cent at intra-day low as bullion continued to slip.

Country	Index	Nov 26	Nov 25	Nov 24	1997 High	1997 Low	Yield	P/E
Austria	Credit Aktien	433.35	436.21	435.60	474.42 2/10	374.40 9/1	2.04	14.8
	Traded Index	1256.05	1260.24	1259.80	1480.49 31/7	1130.22 9/1		
Hungary	Bux	6576.57	6573.89	6454.60	8483.80 5/8	4291.30 6/1	na	na

Shares ended mixed as investors sat on the sidelines.

Country	Index	Nov 26	Nov 25	Nov 24	1997 High	1997 Low	Yield	P/E
India	BSE Sens.	3535.52	3479.89	3403.07	4548.02 5/8	3225.34 2/1		
	Cmil 500	654.32	644.23	633.40	843.28 5/8	622.71 2/1	40	na

Selective foreign and domestic buying seen on hopes that India's political impasse may be ended soon.

Country	Index	Nov 26	Nov 25	Nov 24	1997 High	1997 Low	Yield	P/E
Indonesia	Jakarta Comp.	398.53	395.67	410.21	740.83 8/7	391.28 21/11	2.86	11.4

This trading as investors prepared for today's listing of state-owned mining company PT Aneka Tambang.

Country	Index	Nov 26	Nov 25	Nov 24	1997 High	1997 Low	Yield	P/E
Poland	WIG	14313.3	14223.7	14461.8	16598.40 10/7	14223.70 25/11	1.32	10.1

Dealers were cautious about the central bank's current account deficit forecast for 1998, warning it may be optimistic.

Country	Index	Nov 26	Nov 25	Nov 24	1997 High	1997 Low	Yield	P/E
Portugal	BVL 30	3565.47	3500.23	3472.93	3888.81 3/10	2188.57 2/1	1.73	23.4
	PSI 20	8299.00	9177.19	9065.05	9889.52 3/10	6182.34 2/1		

Shares again lifted on hopes of foreign interest when Portugal joins the Morgan Stanley developed market index next week.

Country	Index	Nov 26	Nov 25	Nov 24	1997 High	1997 Low	Yield	P/E
Russia	RTS		356.81	358.47	571.66 6/10	213.36 6/1	na	na

Shares trimmed Tuesday's losses, but investors seen sitting on their hands ahead of today's US Thanksgiving holiday.

[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 26

[illegible]

AMEX PRICES

4 pm close November 26

[illegible]

EASDAQ

[illegible]

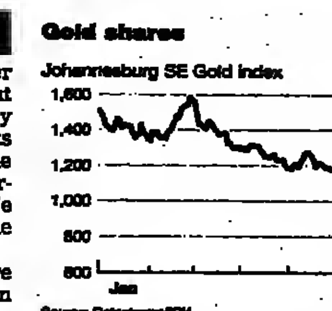
Weak bullion puts pressure on gold shares

WORLD OVERVIEW

The collapse of another Japanese bank and the sight of a further Korean company seeking protection from its creditors failed to shake the nerves of world stock markets ahead of today's Thanksgiving holiday in the US, *writes Philip Coggan.*

The Nikkei 225 average actually gained ground on the day, despite the collapse of Tokuyo Bank, a second-tier regional bank. But there were sharp falls in bank and broking stocks as investors feared the discovery of further bad news. And, while Korea was only fractionally lower, few believed the crisis was past, with Soosan Heavy being the latest corporate casualty and Samsung slashing its investment plans.

Elsewhere, attention was focused on gold shares, with the morning bullion fix at



$297 per ounce, a 12¼-year low, after Eddie George, the Bank of England governor, said he would be surprised if the European Central Bank held large stocks of gold. The metal failed to regain the $300 level in afternoon trading.

The bullion market has been weak for some time on fears that central banks might be selling, or planning to sell, some of their vast gold reserves, equivalent to nearly 15 years' production.

Australian mining shares took a hit, with Normandy Mining, the largest gold group, down by 3.6 per cent and the sector index off 2.6 per cent. The weakness carried through to Johannesburg, with a 7.1 per cent fall in the gold sector, just a day after Anglo American revealed plans to reorganise its gold interests into a new group, Anglogold.

What a long time it seems since George Soros, the hedge fund manager, took a well-publicised punt on the gold price and bulls talked wistfully of the prospect of $500 an ounce.

One by one, the props of the bullish case have been kicked away. It used to be argued that the emerging Asian economies would prove a steady source of demand; that is hard to believe in the wake of the currency crisis. And, in spite of the worldwide falls in equity markets, gold has failed to benefit from any "safe haven" effect.

John Bridges, North American gold equities analyst at Flemings Global Mining Group, said: "Our estimation suggests that, on a pure cash basis, around a quarter of the world's production is at risk at the current price."

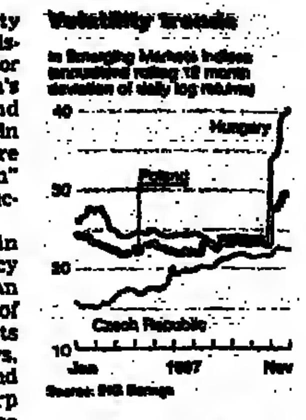
However, he pointed out that stopping and starting a mine was a costly business, which groups would not undertake because of a short-term fall in the gold price.

He said the Australian mining companies have tended to hedge their production forward, the North Americans tend to be highly geared while the South Africans appear to have the biggest percentage of their industry at risk.

EMERGING MARKET FOCUS

A question of volatility

Increasingly volatile equity markets have become a disconcerting fact of life for investors since last month's market turmoil. And nowhere more so than in emerging markets, where fears of "Asian contagion" have prompted sharp fluctuations in share prices.



But why have certain markets shown a tendency to be more volatile than others? Take the case of central European markets where, as the graph shows, both Hungary and Poland have experienced sharp jumps in volatility since mid-October, while the Czech market has been scarcely affected.

The Czech Republic largely escaped the recent turmoil because its currency crisis occurred in May. In addition, a weak economic outlook and the Prague exchange's poor regulatory record had combined to leave the equity market pretty bombed out.

More perplexing, however, is the contrast between Hungary and Poland. Volatility is often seen by analysts as a proxy for market risk. So if, as broader trends suggest, the potential for contagion was the main determinant of market risk last month, one would have expected the Polish market's volatility to shoot up far more than that of Budapest.

Hungary is seen as the central European economy least exposed to Asian contagion, having a negligible current account deficit and relatively sound government finances. Poland, on the other hand, is seen as a potential devaluer.

The Hungarian BUX index was by far the best-performing regional index in the first eight months of the year, rising by 105 per cent. But in recent weeks, it has seen separate one-day falls of more than 12 and 16 per cent. The declines still leave the Budapest market 59 per cent up on the year to date.

Analysts confess they are perplexed by the recent behaviour of the Hungarian market. One explanation offered is that local investors, who were sucked into the market following its surge in the first half, were caught out by events in late October and have been forced to liquidate positions to meet margin calls.

However, analysts are unconvinced by the argument because the distressed selling would have to have been on a vast scale to cause the swings the market has seen.

Jürgen Odenius at SBC Warburg Dillon Read prefers to blame investors' irrational behaviour. "What has been remarkable is the way that investors' ability to question simple facts declined to such a drastic extent that they started to believe things that they would not normally believe."

Hungary's heightened volatility is expected to be a temporary phenomenon. According to ING Barings, the trend towards diverging volatility among emerging markets can be expected to re-assert itself in coming months "as those markets which suffer proportionately less from Asian-type excesses are rewarded with a compressing risk premium".

Jonathan Ford

Blue chips calm before Thanksgiving

AMERICAS

Wall Street made a studiously calm start to trading before today's Thanksgiving Day holiday, and the market's main indexes moved slightly higher by midday, *writes John Labate in New York.*

The Dow Jones Industrial Average gained 16.67 at 7,825.87 by early afternoon. The broader Standard & Poor's 500 index was also higher, up 4.38 at 955.20. The market is closed for Thanksgiving, but will reopen tomorrow.

Sentiment was helped by a report that made a slight downward revision to US GDP growth, down to 3.3 per cent for the third quarter from 3.5 per cent reported earlier. The Chicago Purchasing Management Association reported an increase in business activity in November as its index rose to 59.5 from 56.0 in October.

"We've had positive economic news in the morning and a bounce in overseas markets overnight," said Arthur Hogan, senior equity trader at Morgan Stanley in New York.

Treasury bonds had a mixed morning as the bond market prepared to close early in advance of the holiday. By midday the 30-year bond was down $\frac{1}{32}$ at 100¾, sending the yield up to 6.057 per cent. Banking shares were mixed, with most showing slight gains as the Philadelphia Stock Exchange's banking index rose 1.37 at 726.98. J.P. Morgan gained 1\frac{1}{16}$ at $114¾.

In the Dow, AT&T shares rose $¼ at 55\frac{11}{16}$ after the telecoms company said it would sell its paging unit. IBM continued higher, rising 1\frac{3}{16}$ to $108¾ after a strong day on Tuesday.

Oil stocks were mixed, as Chevron shares slid $1 at $80 in spite of a "strong buy" rating from Morgan Stanley.

Technology-related shares had a good morning, as the Nasdaq composite index was up 5.98 at 1,596.02.

Dell Computer, which reported better-than-expected results earlier in the week, rose 1\frac{11}{16}$ to $83, while rival Compaq Computer surged 2\frac{3}{16}$ at 61\frac{1}{16}$. Shares in Teradyne, a computer equipment company, plunged more than 6 per cent or 2\frac{1}{16}$ at $33¾.

TORONTO moved steeply lower in morning trading as investors pulled savagely out of gold shares. Banks were also weak, but a near 5 per cent slide for the golds index was the main reason for a 77.22 decline to 6,653.30 for the 300 composite index.

With the bullion price slipping below $300, golds were said to be a one-way street. Leaders such as Barrick and Placer Dome retreated 40 cents to C$23.65 and 20 cents to C$17.55 respectively. But less diversified mining houses suffered the heaviest casualties.

The fourth-quarter earnings statement from Bank of Nova Scotia disappointed the market and the shares fell 90 cents to C$63.90. Royal Bank of Canada lost C$1.15 to C$78.65 and Bank of Montreal C$1.60 to C$63.40.

Seagram shed 70 cents to C$45.50 and Newbridge Networks gave up 25 cents to C$61.40.

Paris spurred by takeover talk

EUROPE

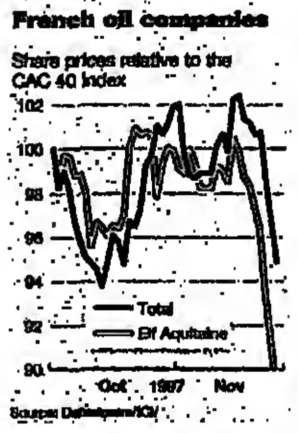
Takeover rumours drove PARIS higher for the second day running – the CAC 40 index ending 25.39 up at 2,811.65 after another session of relatively narrow trading.

Bank leaders BNP and CCF surged more than 5 per cent each on speculation that both were potential bid targets following the move by financial conglomerate Paribas to buy out the minorities in two large satellites.

With traders convinced that the deals, announced late on Tuesday by Paribas, were a forerunner of further takeovers and consolidation for the French financial sectors, BNP jumped FFr14 to FFr279.10 and CCF FFr18.30 to FFr378.30.

Oils continued to suffer from Opec scare stories and worries about rising US oil stocks.

Elf Aquitaine fell FFr20 to FFr660 and Total FFr21 to FFr609. Both shares have given up close to 10 per cent over the past three sessions.



FRANKFURT finished electronic trading almost 2 per cent higher, with the Ibis-indicated Dax index up 76.79 at 3,926.93.

Volkswagen rocketed DM38.4 or 4 per cent higher at DM991.90 after the carmaker said it would not make any decision on the issue of new shares as part of its planned capital increase until next year.

Lufthansa, up DM1.24 at DM32.35, was among the best performers in response to its announcement that nine-month pre-tax profits rose 124.7 per cent.

Allianz rose DM8.85 to DM415.90 ahead of today's nine-month results.

AMSTERDAM ended 11.13 higher at 882.35 on the AEX index in spite of a 10.1 per cent shake-out for Nedlloyd, where third-quarter results fell short of expectations.

The diversified shipping group bounced at the opening on reports that it planned to raise rates on Asian routes. But by early afternoon, the shares were streaming lower on earnings disappointments. They closed off Fl 4.80 at Fl 42.60 - more than 40 per cent below their October peak.

Merrill Lynch, meanwhile, launched an issue of 2.5m Euro-Certificates linked to the Amsterdam Midkap index, which will enable investors to trade the market capitalisation weighted index on a daily basis.

ZURICH saw another star performance from UBS, which pressed ahead for a fourth straight session in response to recommendations from several brokers and some positive press comment. The shares rose SFr44 to SFr1,809 and the upbeat mood spilled over to CS Group, SFr4.25 higher at SFr209.75.

SBC added SFr10 at SFr403 after the bank denied market rumours that its strategic alliance with Long Term Credit Bank of Japan would not proceed.

Baloise Insurance rose SFr91 to SFr2,548 and Swiss Reinsurance gained SFr35 to SFr2,280. Dealers linked the advances to rumours that Martin Ebner's BZ Group was building positions.

Against the trend, Adecco gave up SFr15 to SFr415 as the Swiss-French employment services group's nine-month figures showed a fall in the Ebit margin.

The broad market put in a positive performance, which took the SMI index 71.7 higher to 5,738.0.

MILAN was boosted by continuing hopes of an imminent interest rate cut as treasury officials said there was scope to reduce borrowing costs.

The Mibtel index rose 161 to 15,307 as government bonds again touched record highs, but later lost ground on Wall Street weakness.

Financial stocks led the market higher, with Generali up L743 at L38,897 and RAS L466 higher at L16,014. Toro, the insurance group in which Fiat holds a stake, added to the excitement by announcing plans for a capital increase. The shares rose L303 at L20,953.

Banca di Roma, which is in the middle of a capital raising exercise, rose decisively above the L1,450 maximum price, ending L46 to the good at L1,497. However, Banco Ambroveneto, also raising capital as part of its merger with Cariplo, came off to end L89 lower at L5,806.

MADRID's general index extended Tuesday's gains to close 9.83 or 1.7 per cent higher at 598.93.

Stainless steel producer Acerinox sharply outperformed the overall market, rising 4 per cent on a rash of positive recommendations from analysts. The shares ended Pta900 higher at Pta22,640.

HELSINKI featured an 8.8 per cent surge in Raisio after the food and chemicals group announced the expansion of a five-month-old marketing agreement with Johnson & Johnson of the US aimed at exploiting its Benecol cholesterol cutting product worldwide.

The Raisio shares surged FM51 to FM630.

The broad market was weak with the Hex index marked 15.81 down at 3,404.29.

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Nicholas Miller.

FTSE Actuaries Share Indices — European series

November 26

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	935.04	+0.87	+8.04	2.43	0.00	941.24
FTSE Eurotop 100	2170.38	+1.14	+24.47	–	–	–
FTSE Eurotop 300 Regions						
300 UK	942.59	+0.35	+3.31	3.42	0.00	958.03
300 Ex-UK	931.24	+1.17	+10.77	1.85	0.00	933.45
300 Eurobloc	915.68	+1.19	+10.81	2.08	0.00	919.77
300 Ex-Eurobloc	948.98	+0.54	+5.07	2.67	0.00	957.44
FTSE Eurotop 300 Economic Groups						
Resources	911.11	−1.30	−12.03	3.88	0.00	923.79
General Industries	898.33	+1.24	+11.01	2.17	0.00	901.26
Consumer Goods	932.82	+1.12	+10.31	1.95	0.00	942.17
Services	958.94	+0.65	+6.16	2.30	0.00	965.20
Utilities	975.04	+1.27	+12.23	3.39	0.00	981.06
Financials	946.64	+1.20	+11.27	2.42	0.00	951.30

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

SOUTH AFRICA

Gold shares ended down as a bad day for bullion heightened fears about mine closures. The golds index fell 58.4 or 7.1 per cent to a five-year low of 754.6.

The all-share index came off 34.7 to 6,344.5 and industrials lost 36.3 to 7,770.8. Sasol was driven lower by rumours of a downgrade. It tumbled 6.5 per cent to R51.90, accounting for 10 per cent of the day's total market volume.

São Paulo moves ahead

SAO PAULO traded higher at midsession, amid optimism that the government's proposed constitutional amendment on public workers' dismissal would be approved in the chamber of deputies with the required 60 per cent majority.

The Bovespa index was 131 higher at 9,282.

Minas Gerais power company Cemig was R$2.20 or 4.4 per cent higher at R$52.00 as the state government hinted that it might privatise the company in the first half of 1998.

CARACAS moved ahead at midsession after two days of sharp declines and the IBC index stood 106.25 higher at 8,593.63. The benchmark Electricidad de Caracas bounded higher, making up some of the ground lost since the start of the week. It was up up 14.85 bolivars to 605 bolivars.

MEXICO CITY climbed 1.7 per cent at midsession, helped by gains in regional markets. The IPC index picked up 82.16 at 4,869.23.

Telmex L shares were rose 16 centavos to 19.82 pesos.

Tokyo finishes broadly firmer

ASIA PACIFIC

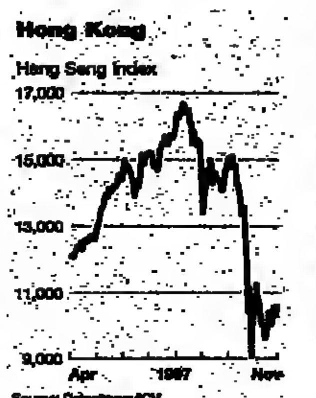
A broadly firmer trend was seen in TOKYO, although gains in the main indices disguised falls in key sectors such as banks and brokers, *writes Bethan Hutton.*

Investors bought blue chip manufacturers and exporters, along with some of the stronger financial institutions. Banks, brokers and construction companies were shunned, however, as official reassurances failed to wipe out concerns of more corporate collapses.

The Nikkei 225 average rose 1.1 per cent to close 178.02 higher at 16,045.55, after moving between 16,378.62 and 15,926.47. The Topix index of all first-section stocks was marginally higher, up 1.22 at 1,208.59, and the capital-weighted Nikkei 300 index gained 1.18 to 240.16. Falling shares led risers 625 to 534, with 102 unchanged.

In London, the ISE/Nikkei 50 index rose 1.56 to 1,431.64.

The securities sector plunged 7.1 per cent, on continued fears of further collapses after the Yamaichi Securities' failure on Monday.



Taiheiyo Securities, in which Yamaichi has a 40 per cent stake, dropped Y23 to Y40 and Wako Securities Y80 to Y161. Daiwa Securities was down by the daily limit of Y100 to Y466, in spite of holding a news conference to deny involvement in the kind of "tobashi" loss transfer deals uncovered at Yamaichi Securities.

Differentiation in the banking sector – down 2.6 per cent overall – was also stark. Yasuda Trust and Banking fell Y50 or 38.8 per cent to Y79, Mitsui Trust and Banking Y80 or 32.4 per cent to Y167, and Daiwa Bank Y50 or 27.8 per cent to Y130. Gainers included Bank of Tokyo-Mitsubishi, up Y20 to Y1,800.

Volume increased from 597m to an estimated 677m shares.

In Osaka, the OSE index gained 88.71 to 16,519.58, in volume of 34.4m shares.

HONG KONG jumped 2.6 per cent, taking a lead from Tokyo, although conflicting signals from the region suggested further uncertainty for the markets.

The Hang Seng index closed 264.55 higher at 10,590.11, but turnover remained low at HK$6.9bn.

All sectors, other than China plays, made good gains. Sun Hung Kai Properties and Cheung Kong each added HK$2 to HK$57.75 and HK$55 respectively, while Henderson Land climbed HK$1.20 to HK$37.90.

KUALA LUMPUR was dragged sharply lower by a poor showing in financial shares after the death of Loy Hean Heong, head of MBf Holdings, renewed focus on the financial sector. MBf group shares were suspended from trading.

The composite index closed 15.45 or 2.9 lower at 526.12, while the index for financial shares tumbled 5.9 per cent.

MBf group said there was no run on the finance company's deposits after Loy's death and the company would continue to focus on long-term development.

SEOUL steadied after a three-day decline of more than 13 per cent, but sentiment remained fragile and dominated by worries about the impact of the IMF rescue package. The composite index ended down 0.89 at 438.70.

Daeho Construction fell by its daily limit, losing Won650 to Won7,490 as shares in big shareholder Soosan Heavy Industries were suspended after the company sought court protection owing to financial problems.

BANGKOK rallied with the SET index up 5.21 at 401.79 to partly reverse a two-day decline of 6 per cent. Brokers said hopes for positive trade account data had helped bolster sentiment.

Siam Cement fell Bt20 to Bt242 on news of heavy forex losses. Banks were mixed. Thai Farmers Bank rose Bt2 to Bt74.50, but Bangkok Bank shed Bt1 to Bt94.50.